BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration, and Consider Further Development, of California Renewables Portfolio Standard Program.	Rulemaking R.18-07-003

COMMENTS OF THE CALIFORNIA BIOMASS ENERGY ALLIANCE ON THE BIOMAT PROGRAM REVIEW / STAFF PROPOSAL

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Pursuant to the Oct. 30 email of ED staff member James McGarry, as modified by the Nov. 19 email of Mr. McGarry, in Proceeding R-18-07-003, the **Order Instituting Rulemaking to Continue Implementation and Administration, and Consider Further Development, of California Renewables Portfolio Standard Program**, the California Biomass Energy Alliance (CBEA), the trade organization of the solid-fuel California biomass energy industry, provides these *Comments of the California Biomass Energy Alliance on the BioMAT Program Review / Staff Proposal*. As instructed in the Oct. 30 program-review document, our Comments address the questions posed on pages 20-23 of the document that are relevant to CBEA.

The California Biomass Energy Alliance is the trade organization of California's biomass energy industry. CBEA was created more than 20 years ago with a charter to promote biomass energy as a means to reach the environmental and economic goals of California. On behalf of its members, we have worked diligently as the leading advocate of the solid fuel biomass power industry through California's energy crisis, the introduction and implementation of renewable portfolio standards and waste reduction mandates, through to today's carbon-constrained world governed by AB 32's greenhouse gas emissions-reduction requirements.

Based on the interests of the CBEA membership, our comments are focused on projects in category 3 of the BioMAT program, facilities that convert the byproducts of sustainable forestry management, including fuels sourced from high-hazard zones (HHZ). We note that most of the arguments we make in favor of category 3 projects are equally applicable, sometimes with appropriate tailoring, to projects in categories 1 and 2.

1. CBEA supports the proposal to reduce the market depth requirement from five to three non-affiliated applicants. We believe that this will increase the efficiency of the price-

adjustment process. We do not expect the number of participating developers to change greatly over time.

3. CBEA opposes the proposal to transition to a fixed-price FIT for the BioMAT program. Small biomass power projects tend to have a variety of site-specific characteristics, not the least of which are site-specific fuel supplies and costs, and highly variable interconnection costs. The current program structure allows developers to sign on when prices hit their individual trigger points. We prefer to let the market determine where prices should go, rather than setting an arbitrary fixed price that might or might not fulfill BioMAT program goals.

10. CBEA supports the proposal to extend the current BioMAT program end-date for an additional five years, until February 2026. The program has endured a variety of delays since its initiation, and to-date its mandates have not been met in any of its categories. With rules still being finalized through this program review and resulting staff proposal, there is every reason to now give the program the opportunity it needs to reach its goals.

11. CBEA supports the proposal to extend a project's commercial operation date by 12 months if it fails to interconnect by the PPA's guaranteed date due to delays beyond the seller's reasonable control. In fact, interconnection delays for BioMAT projects are common because the IOUs regularly put unreasonable upgrade demands on projects seeking interconnection agreements. Indeed, in many cases it seems that the unnecessary transmission or distribution upgrades demanded by the IOUs make the interconnection facilities the critical-path items for the project, instead of the critical path being the design and building of the plant itself.

12. CBEA strongly supports the proposal to remove the 3 MW cap on payments for BioMAT facilities larger than 3 MW. The purpose behind AB 1923's increasing the maximum allowed project size for BioMAT projects to 5MW was to allow commercial host facilities, like sawmills, to serve their own power needs behind the meter, while fully participating in the BioMAT program at the 3 MW level. In practice, the typical sawmill

uses its full allotment of (for example 2MW) for only one work shift per day during the five-day workweek. Thus, for approximately 75 percent of the hours the generator has substantial idle capacity that could be used to supply additional energy to the grid, even after accounting for the residual electrical needs of the host. This would increase the amount of fuel being processed by the facility, in the process increasing its delivery of ancillary services (forest restoration) to the state, and it would enhance the facility's economics, thus allowing it to accept a lower PPA price. Moreover, removing the cap is fully consistent with the intent of the legislation, which is to allow commercial host facilities to serve their own power needs behind the meter, while fully participating in the BioMAT program.

We note that the timing of when a generator with a typical commercial host customer would deliver surplus power to the grid correlates nicely with the needs of grid. The typical host customer operating at one shift per day would be consuming power at its maximum level during the midday, when solar power on the grid is at its maximum. Onsite demand would be turning down at the end of the workday, when grid solar is disappearing and grid demand is increasing, the period known as the afternoon ramp. Thus the surplus power would flow to the grid at the very time when sustained ramping power is needed by the grid. This represents a considerable benefit to the grid.

13. CBEA would not be opposed to the proposal to allow incremental generation from existing units to be eligible for the BioMAT program, but only on the condition that CEC guidelines on incremental generation are followed. We are, however, concerned that unlimited allowance for incremental generation would have the effect of driving prices so low that no new projects would be able to participate. The CEC guidelines provide minimal market protections.

14. CBEA opposes imposing HHZ restrictions on the fuel supply for any projects that are currently in the queue and already have their fuel supply approved by the utility. Imposing new fuel restrictions would be unfair to those projects, which have based their trigger prices on the current fuel specifications. It would be reasonable from a fairness

perspective to impose HHZ restrictions on new project entrants, but it is important to keep in mind that doing so would have the tendency to push target prices up for new projects subject to such restrictions.

We also note that fuel that is the byproduct of sustainable forestry management, whether sourced from HHZ regions or not, delivers substantial benefits to California. Many of the state's destructive wildfires that have occurred over the past several years have been initiated on HHZ lands, but others of the destructive wildfires have occurred on lands that are only designated as only moderately in danger, including the Tubbs fire of 2017 in Sonoma and Napa Counties, at the time the most destructive wildfire in California history. Wildfire risk extends well beyond HHZ-designated lands in California.

15. CBEA strongly opposes the imposition of any new requirements for projects being "strategically located" in order to qualify for the BioMAT program. In fact, the fuel requirements to participate in the program are sufficient in-and-of themselves to ensure that projects are "strategically located" with respect to their fuel source, and protecting the forests of California is the major strategic objective of the program. Small biomass generators need to be located close to their fuel source in order to make any sense economically. Hence, if they use BioMAT-qualifying fuel, they are by definition strategically located.

17. The BioMAT program produces a number of valuable benefits in addition to renewable electricity, including environmental benefits and rural development benefits. Those ancillary benefits, however, are not the primary regulatory concern of the PUC. Rather, they are the concern of other state and federal agencies, such as CalFire, CARB, and the USFS. Of particular interest to forestry BioMAT projects (category 3) are the actions of the land management agencies that control or regulate the sources of their fuel. These agencies could contribute to the success of the program by developing longer-term contracting mechanisms, which would reduce uncertainty for the generators and provide them with cheaper fuel. This would allow their target power price to come down, because

the fuel cost is a significant component of the cost of electricity production for small biomass generators.

18. CBEA strongly opposes the establishment of a requirement that facilities demonstrate that they reduce greenhouse-gas emissions as a condition for BioMAT eligibility. The underlying goal of the forestry portion of the program (category 3) is the preservation of the state's forests in the long term. The extent of wildfires currently occurring in California's forests, among other losses, produces huge quantities of greenhouse-gas emissions that overwhelm the savings the state has reaped through its various climate-change mitigation efforts. Restoring the forests to a more fire-resilient condition will make a substantial contribution to California's efforts to fight climate change, and the imposition of a new layer of review for applicant BioMAT projects, using what can only be called questionable metrics, would only threaten an already struggling program.

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Respectfully Submitted,

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