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

REPLY 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 and Dec.19 emails 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 *Reply Comments of the California Biomass Energy Alliance on the BioMAT Program Review / Staff Proposal*. Our reply comments address question no. 14 in the Program Review and Staff Proposal, the issue of whether to impose a minimum use requirement for fuel from HHZs on BioMAT projects in category 3.

The joint opening comments of the IOUs, as well as those of a number of other parties, endorse the proposal to impose an 80-percent minimum requirement for HHZ fuels on category 3 projects. No distinction is made in the question itself, or in any of the supportive comments, between projects that are currently in the queue, and projects that may be proposed in the future. The distinction is important. Projects already in the queue have committed to pricing that does not include a requirement for HHZ fuel and imposing an 80-percent requirement now would not be fair to these projects. Indeed, it might cause some of them to abandon their plans to develop or operate their projects altogether. That certainly would be contrary to the intention of the Staff Proposal to expedite and enhance the development of the program.

The Joint IOUs argue in favor of imposing an HHZ requirement as follows:

> Setting a requirement for all Category 3 projects would better align the BioMAT program with the state's priority to mitigate wildfire risk and would better justify the already high price of BioMAT Category 3 contracts. The Governor's Emergency Proclamation on Tree Mortality in 2015 ordered the CPUC to support "forest bioenergy facilities that receive

> feedstock from high hazard zones" through the BioMAT program. Setting an HHZ fuel requirement will further support the BioMAT program's role in meeting the Emergency Proclamation's intention to reduce wildfire risk. [Joint IOU Comments, pg. 9.]

The BioMAT program was created by legislation passed in 2012, well before the issuance of the Governor's Emergency Proclamation on Tree Mortality. It was designed to cover the entire state geographically, with an understanding that for category 3 projects, once established a project would procure fuel primarily from sources within a short distance of the facility. That is one of the primary reasons for targeting the program at facilities no larger than 3 MW, in order to minimize the delivery distance required for its fuels. Imposing restrictions that require a facility to purchase fuel from more distantly located sources would work in contravention to this feature of the program. It would also drive up the cost of electricity production for the generator, which would ultimately drive up costs for the ratepayers.

The Joint IOUs suggest a need to "better justify the already high price of BioMAT Category 3 contracts." That sentiment is not only not justified, it is self-defeating in its execution. It is not justified because the price of the contracts is determined by a market-based mechanism, which means that the cost is based on the cost of energy production at these facilities. It is not an inflated cost. It is self-defeating because the imposition of an 80-percent HHZ requirement on category 3 projects would push the "already high price" further up.

As we argued in our opening comments, HHZ requirements should not be imposed on BioMAT projects already in the queue, as their fuel sources and costs are already locked in and increasing their fuel costs by fiat is unfair and counterproductive. Moreover, as we also pointed out in our opening comments, virtually all of California's forests are at high risk of wildfire. The HHZ designation is useful for purposes of prioritizing treatment operations but lacking the HHZ designation does not indicate that a tract of forest in the state is not at significant risk, as demonstrated by the 2017 Tubbs fire, among others.

For projects that are not yet in the queue the imposition of an HHZ requirement does not present a fairness issue, but it does have the likelihood to drive already high prices even higher. The Commission will have to judge whether doing so is worth the benefit of pushing participating projects to use more fuels from the designated highest-priority areas.

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Respectfully Submitted,

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