Jefferson State Power, LLC

P.O. Box 970
Medford, OR 97501
541-773-7553

January 4, 2019

Mr. James McGarry
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 9

Re: Reply Comments on CPUC BioMAT Program Review and Staff Proposal

Dear Mr. McGarry,

Jefferson State Power (JSP) is a group dedicated to the repowering and operation of a biomass electrical power generating facility located near Anderson, CA. JSP team members are also supporting various other power development projects associated with the BioMAT program. The intent of each of these projects is to utilize agricultural waste defined under the BioMAT Category 2 – Other Agriculture. The goal of JSP and the team members is to offer a viable, long-tem solution to the growing issues associated with agricultural waste disposal in the state. Numerous agricultural operations have expressed a desire to avail themselves of the opportunity offered through the BioMAT program to (1) responsibly manage their waste steam, and (2) support the renewable energy production goals of the state. Pursuant to the questions listed in the Staff Proposal document (pg. 23), JSP wishes to offer the following comments.

Question 10: Do you support the proposal to extend the current program end date for an additional five years, from February 2021 to February 2026? Why or why not?

JSP is in favor of the proposal to extend the BioMAT program for an additional five years. As the agriculture waste problems become more acute, a growing number of operations are expressing interest in exploring their options associated with the BioMAT program. Due to the uncertainly and ongoing development of certain rules, a number of these potential projects have not yet proceeded awaiting clarification from the CPUC. As a result, it is foreseen that Category 2, while it has notable interest, will not be fully subscribed by the current deadline. Extending the program will provide the time necessary to realize the potential that exists within the agricultural community to support the attainment of the BioMAT program goals.

Question 12: Do you support the proposal to remove the three MW cap on payments via BioMAT PPAs for facilities larger than three MW? Why or why not?

JSP is in favor of the proposal to remove the 3 MW cap on export power payments. The quantity of Category 2 – Other Agriculture waste available in various regions exceeds that which is necessary to power a 5 MW facility. In many cases, the remaining 2 MW (under the 5 MW name plate limit) available for internal use will go unutilized due to limited internal operations (single shift operations, for example). This creates a scenario where a significant portion of the

facility capacity is being underutilized thus limiting the financial viability of the project. Extending the cap to 5 MW would allow for greater capacity factor predictability, which will help to support project financing, and long-term viability.

For cases where there is limited internal load, increasing the export power sales from 3 MW to 5 MW greatly improves the project economics providing increased opportunity for agricultural waste utilization, potentially processing 25% more agricultural waste for a given facility.

Question 19: Are there additional actions the Commission should take to address program barriers and expand program participation? Please explain your proposal(s) and provide rationale.

During the front-end development of BioMAT projects, it has become known of a general belief that a BioMAT Category 2 - Other Agriculture power facility itself must be located on an agricultural site to be eligible to receive the BioMAT tariff. The pertinent language in the BioMAT tariff, however, does not make this statement. The only implied reference to this restriction can be found in the 2014 CPUC Decision 14-012-081 for SB1122 Section 2.2.2.2.

The specific language from the BioMAT Tariff regarding the Category 2 classification is shown below.

Section 14.b(2) of the BioMAT Tariff states:

(2) Other Agriculture: Biogas or biomass ***derived from a facility*** *that is located on agricultural premises and utilizes the waste, residue or by-products of growing crops, raising livestock or growing horticultural products. Agricultural wastes include, but are not limited to, agricultural crop residues; fruits and vegetables; orchard and vineyard removal; and crop tree and vineyard prunings. Agricultural waste also includes waste, residues and by-products from agricultural drying, hulling, shelling and ginning operations as well as fresh fruit and vegetable packing operations*.

Reading the BioMAT tariff language, the reference to being located on agricultural premises appears to be referring to the source of the biomass fuel, not the power production Facility itself. Note: "facility" in the Tariff definition is not capitalized meaning that it is not referring to the power "Facility" as formally defined but rather the facility from which the fuel is derived. Regardless, the language does not read as implying the Facility must be on the agricultural premises

In the phrase "from a facility that is located on agricultural premises and utilizes" the "and utilizes" appears to be referring to the biomass itself. It could read like this "Biogas or biomass...[that] utilizes the waste, residue or by-products of growing crops,..."

Also, "Eligibility" in Section 4 of the BioMAT Tariff refers to site location requirements and makes no mention of requiring the power facility to be located on agricultural premises.

This observation notwithstanding, the following additional comments are offered.

Per Section 2.2.2.2 of Decision 14-012-081, the reasoning behind this restriction was to increase the value of the agriculture waste (by having the power facility located on the agricultural site) and limit the distance it would have to be trucked to the Facility. These assumptions, however, are actually counter-productive to incentivizing a Category 2 – Other Agriculture project. This restriction actually, in practice, limits the options the agricultural producers have for disposing of their waste by eliminating many, if not most, of the viable sites that could feasibly support a BioMAT based power facility. This reduces the options for disposing of their waste, which in turn lowers the value of the fuel as opposed to increasing it as the restriction intends. By allowing Category 2 – Other Agriculture facilities to be located on sites permitted for power generation, whether they are an agricultural or industrial site, increases the value of the waste and allows for greater capacity for sustainable disposal.

The stated intent in Decision 14-012-081 that the restriction would prevent the fuel from having to be trucked long distances is unnecessary to achieve this end. The fundamental economics of biomass power will set this limit in every case. No project would truck the fuel farther than what is economically feasible. In fact, by restricting the location to an agricultural site while allowing for off-site waste to be imported not only does not set a shipping distance restriction, by limiting site options, the need to ship further to the few sites that are available pushes the logistics toward longer shipping distances.

The JSP team members have identified much Category 2 - Other Agriculture fuel available near industrial properties where power generation is permitting which can be utilized for helping to achieve the BioMAT program goals. This apparent restriction, however, is limiting this opportunity while not providing any advantage to any other aspect of the program.

If there is concern that the Category 2 - Other Agriculture projects could push out opportunities for Category 2 - Dairy projects, the observations listed in the Staff Proposal imply that this will not be an issue since most of the sites that could meet Category 2 - Dairy are tending to opt for fuel based projects as opposed to electricity projects. The Staff Proposal states *"Due largely to financial incentives offered by California's Low Carbon Fuel Standard (LCFS) and Renewable Identification Number (RIN) credits through the federal Renewable Fuel Standard, many bioenergy developers choose to pursue more financially lucrative vehicle fuel pathways rather than, or in addition to, electricity generation."* supported by the following footnote: *"Dairy digesters can earn about $20/MMBtu for biogas-to-electricity projects, and about $40-$60/MMBtu for biogas-to-fuel projects due in large part to LCFS and RIN credits."*

JSP and their team members request the following.

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(1) Statement stating that there is no restriction as is apparent and/or at a minimum;
(2) if the restriction is active, for it to be removed, and;
(3) if agricultural use is a permitted use by right on the subject property (whether if there is agricultural activity on the property or not) confirm whether Category 2 Other Agriculture is eligible.

JSP and its team members believe the above suggestions and proposals, if implemented, can help to facilitate the successful attainment the BioMAT program goals and bring the desired benefits to the region. The JSP team kindly requests favorable consideration of this request.

Sincerely,

Paul Sicurezza
Project Manager
JEFFERSON STATE POWER, LLC

cc: Service List R.18-07-003

Biomat Program 01-04-19/lag