

**CENTRAL CALIFORNIA POWER**

949 ANNADALE AVENUE, # A210  
FRESNO, CALIFORNIA 93706

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Tel (559) 917-5064  
Fax (559) 442-0023

BIOTECHNOLOGY WORKSHOP

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Permit this writer to compliment the Energy Commission on conducting an outstanding meeting on the subject of "Biotechnology". Also Navigant Consulting deserves a round of applause for the excellence of their report. It describes Biotechnology potential as well as its associated problems. During the Workshop Proceedings this writer was given the opportunity to present two suggestions; one which could help relieve the Biomass Industry's revenue burdens, the other, provide the financial community with a level of comfort necessary to stimulate a funding appetite.

Suggestion One: Allow the generators to market any Emissions Reductions Credits (ERCs) they accrue through collection of the wastes that comprise their fuel source. The revenue enhancement could be significant. At this time, both the CEC and the CPUC are pursuing a program to effect the reduction of greenhouse gas emissions. In addition, Air Quality Districts are continually seeking the reduction of polluting emissions. The Air Quality Districts issue a credit to entities that mitigate air pollution. While pursuing the reduction of greenhouse gas, the Agencies should prioritize the establishment of a marketing outlet (in effect a trading market). Further, the CEC and the CPUC could work in concert with Air Quality Districts to establish an overall emissions credit base, and permit the generators who collect the polluting wastes that fuel their generators to market their accrued credits. This suggestion could add needed revenue potential to the Industry at no cost to the ratepayer or to the State of California.

Suggestion Two: Provide some form of enhancement such as low interest financing with tax incentives or perhaps even participation for the portion of the project connected with collecting and processing biomass fuel. This is one of the risk areas that cause the financial community a great deal of concern. Low interest financing could come from an agency such as the Pollution Control Authority. Some indication of State and/or Federal interest and cooperation would increase the stimulus in the financial community.

During the proceeding, members of the Biomass Association lamented the loss of generation facilities. It is recognized throughout the industry that added revenue is needed to provide some impetus to the Industry. The concept of "Long Term Sustainable Electric Power Contracts" was mentioned as a solution. This type of contract was once "bankable", the type of contract one could take to the bank and obtain project finance. Providing "Efficacy Insurance" was also mentioned. Although both solutions have merit and should be considered, these solutions alone will not provide the financial community with the stimulus needed to commit the required level of funding. In today's market, the financial community is reluctant to even provide finance for conventional sources of energy. It is also well aware of both the added risk and the extra costs associated with biomass generation.

The service the Biomass Industry contributes to the community and to the environment needs recognition. It must be recognized that although biomass collection provides a service to both the community and the environment which is both necessary and desirable it does not come without cost. Biogas fuel incurs more cost than conventional fuels and other renewable energy fuel sources. Fuel collection and delivery usually involves transportation costs and in some (perhaps many) cases additional processing cost before the fuel can be utilized. Although renewable energy in general provides environment enhancement by minimizing or eliminating pollutants, the Biomass Industry performs an additional and somewhat unique service. In providing fuel for electric power generation the biomass industry removes the source of polluting emissions through collection. Waste removal prevents greenhouse gas, PM10 pollutants from entering the atmosphere, prevents salts, nitrates and other contaminants from entering the groundwater aquifers and surface water streams. Waste removal also adds to overall community housekeeping, thus enhancing both the community and the environment.

Biomass generation supplies a reliable source of energy that can be utilized as Base Load, Peak Load, or Dispatchable energy. It is available during periods of high demand. These are definite benefits in energy supply and distribution. A robust Biomass Industry is necessary if the unique benefits biomass provides are to continue. The manner in which Biomass is compelled to compete against other renewables such as wind, hydro, solar, geo-thermal and against "Avoided Cost Projections" prepared by IOUs using natural gas as a fuel datum is egregiously unfair. It is reliable, dispatchable energy competing against energies that are either available on an "As Generated" basis, or are limited by a lack of expansion potential because of declining resources or are inhibited by Environmental, Agricultural or Climatological impacts.

Wind and solar competition is available on an "As Generated" basis only. Further, both wind and solar energy is heavily subsidized with tax and installation incentives. Geothermal energy while completely reliable is restricted as to future increase potential, and is also heavily subsidized. Hydro energy may be restricted by drought conditions which predictably occur in California and throughout the west. In addition, environmental and agricultural demand may further restrict generation. Only biomass provides the unique combination of reliability, expansion potential, environment and community enhancement benefits.

As pointed out in the Navigant Draft there are impediments to Biomass energy development. Policy and Regulatory Impediments such as the various state agencies that have jurisdiction over different aspects of bioenergy development and use should be coordinated and any conflicting issues resolved. This is certainly within the purview of the Regulatory Agencies. Also California should consider ways to simplify its process related to siting and permitting. As pointed out above, to confer the right to market emissions reduction credits (ERCs) could add significant revenues to the industry and the authority to confer this right is within the jurisdiction of the Agencies.

In the event the California Energy Commission or Navigant Consulting has any questions regarding content please contact the writer at the following:

Telephone: (559) 917-5064  
e-mail [cpc1993@hotmail.com](mailto:cpc1993@hotmail.com)  
facsimile (559) 442-0023

Sincerely,

Joseph Langenberg