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CALIFORNIA ENERGY COMMISSION
DOCKETS OFFICE, MS-4
RE: DOCKET NO. 06-BAP-1
1516 NINTH STREET
SACRAMENTO, CA 95814-5512

SUBJECT: Docket No. 06-BAP-1; Bioenergy Action Plan

In accordance with the request of the Members of the Working group for written comments on the Bio Energy Workshop held June 11, 2007 in Hearing Room A at the California Energy Commission the writer is pleased to offer the following comments on the proceeding:

The writer observed with a great deal of interest European Practices with regards renewable energy. The writer has read the transcript of the IEPR Committee Workshop on "Feed-In" Tariffs held on May 21, 2007 where the practices of the European Community were discussed. The European Community is well along in meeting the goals set for Renewable Energy utilization. One very interesting observation is that the European Community is aware of the cost necessary to utilize renewable energy and have set aside the monies necessary to ensure a thriving, vigorous industry. In all cases although specific costs were not really outlined, it was clearly inferred that the cost of renewable energy was greater than the cost of fossil fuel generated energy. Also, the European Communities renewable energy was principally wind energy, an As-Generated source of supply.

The Navigant Report on Bioenergy prepared in March 2006 outlined many of the opportunities, benefits and problems related to the Biomass Industry. The Bioenergy workshop held last year in March reflected the content contained in the Report. Since then Governor Schwarzenegger issued Executive Order S-06-06 calling for California to greatly increase its share of biofuels production and the generation of electricity from biomass. In addition, in July the state's bioenergy action plan was released in July 2006. There is a great deal of focus at present on the use of biomass, however there are a great many impediments to using biomass. The writer wishes at this time to focus the attention of the Working Group to only the subject of financing and the price offered for the use of biomass.

The writer has commented before on the need for easier access to finance. The biomass industry as a whole has really no great history of achievement from where the financial community can develop the level of comfort necessary to finance biomass projects. Biomass projects historically have not been developed by the deep pockets leaders in the electric power field. Biomass has not undergone the maturation, the seasoning period necessary to develop lender confidence. The writer's own experiences in seeking finance have found that the financial community really has no problem with the thermal end of biomass generation, the fuel side of the project is another story. As an example fossil fuel generation plants generally sign a fuel contract with large corporations, financially substantial companies that have history of achievement. Biomass is essentially a waste. Biomass fuel is collected in essentially the same manner as garbage. While conventional lenders have expressed a strong lack of confidence in financing the entire biomass facility, they have expressed the opinion that they could be comfortable lending on the thermal portion of the facility if creditworthy financing could be developed for the fuel collection and processing aspect.

This writer has suggested in previous comments that financing from state controlled institutions such as the CPCFA, the California Economic Development Bank be made available. In the "Bioenergy Action Plan for California" on page 4 subsection 5 it states "the Working Group will explore new avenues for financing new project development including investigation of existing state bonding authority such as the California Consumer Power and Finance Authority". The writer would like to suggest the investigation be expanded to include institutions such as the CPCFA and the California Infrastructure and Economic Development Bank Authority (CIEDBA) also. The writer would like to further suggest that the legislature and the Governor's Office consider legislation that could facilitate the financing process through the above-mentioned agencies. Most biomass projects help mitigate some form of waste and pollution. In addition, most biomass operations require substantially more employees than does a normal gas fired power generation facility. It appears that the operation of the biomass industry and the goals of the aforementioned institutions are quite congruent, the CPCFA funds pollution abatement projects, the CIEDBA funds projects providing employment in disadvantaged areas of high unemployment, therefore why not encourage these institutions to participate in providing finance for at least the fueling aspect of biomass projects? Such participation by creditworthy state institutions would lend a great deal of credibility to biomass project finance.

The European Community practice of providing the funding necessary to promote the development of renewable resources has proven quite successful in achieving the stated goals of utilizing renewable energy and their practice should be adapted here in California. It is recognized in Europe that renewable energy is more expensive than energy derived from fossil fuels, whereas in California, we attempt to peg the cost of renewable energy to the cost of natural gas, effectively hoping to obtain renewable energy for the same price or for a lesser price than the cost of fossil fuel generation. Now, this technique may work well for wind energy, also for existing hydro, however wind energy is As-Generated with a capacity factor of maybe 25 percent, hydro may have a higher capacity factor, but generation is also restricted by the amount of water available for generation. The west has a climatic history of periodic drought conditions. Wind energy, solar energy are the recipients of a great many perks including finance and tax benefits, biomass is the ugly stepchild, the outcast! Biomass is a RELIABLE form of renewable energy. Biomass energy is dispatchable. Biomass energy alleviates waste and/or pollution, yet biomass is expected without perks and subsidies to compete straight-up against As-Generated forms of energy. What's wrong with this picture? Reliable renewable energy costs, it should be apparent that reliability comes with a price tag.

An address presented by Philip Reese of the Biomass Collaborative at the Bioenergy Workshop stated that the Biomass Industry is in dire need of a price increase for electric power generation. Mr. Reese further stated the industry is in a state of decline. Quite a few of the existing biomass facilities have closed their doors, unable to meet expenses at the prevailing prices that they are receiving. What message does this send? The prices quoted by Mr. Reese were about \$0.0615 per kwh in Southern California and from memory about \$0.0645 per kwh in Northern California. Mr. Reese has subsequently informed me that a capacity price of about \$0.02 is added.. In effect, with capacity payments this brings the price of reliable renewable about equal with the cost of natural gas fired energy. It appears that everyone recognizes the tremendous environmental and societal benefits of biomass in addition to the reliable form of energy the industry produces, yet no one wants to pay for it. People, there is no free lunch. On the one hand, there is monies being made available for research, for pilot studies, for investigations, for everything under the sun EXCEPT for the very thing that is needed in order to produce a strong, robust biomass industry, which is a fair market price for the product obtained. If California and the nation want the product, it's going to cost. PEOPLE, I REITERATE, THERE AIN'T NO FREE LUNCH! Ultimately if California and the nation want the benefits of biomass, guess what? It must be paid for,

There are a great many more impediments to building a biomass facility, but this writer will leave that discussion for another time. In closing, the writer would like to list a couple of other salient points about the merits of biomass.

1. Biomass plants not only produce more jobs per MW of capacity than other technologies, these jobs are almost exclusively RURAL jobs, in areas where employment is perhaps most valuable in California. Labor intensity is not necessarily a bad thing.
2. The CEC is on record as recognizing that during the heat storm experienced by California lasting the month of July 2006, the State's wind generators, during the peak demand hours of the days and weeks, delivered at only 12% of their nameplate capacity. (The wind does not always blow when electricity is most needed.) This was a good example of a shortcoming suffered by an otherwise excellent renewable technology. (Which, by the way, benefits from free fuel and four times the Federal Production Tax Credit that is received by California's biomass plants.)

Sincerely,

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