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California Energy Commission Dockets Unit
Attn: Docket No. 00-REN-1194
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512

RE: Committee Draft 2006 Renewable Energy Investment Plan – Docket# 00-REN-1194

Dear Commissioners:

The California Biomass Energy Alliance (CBEA) is pleased to see some of the changes made since the Staff Draft *Renewable Energy Investment Plan* (REIP) and would like to provide addition comment on the Committee Draft.

CBEA does not support the proposed allocations among the accounts. One of the core principles underlying the state's renewable energy programs since the beginning of restructuring has been that the overall program should not favor particular renewable resources or technologies. Even though this is a challenge for biomass, as biomass is typically not the lowest-cost renewable, the biomass industry has consistently supported this principle. Indeed, our multi-year pursuit of cost-shifting strategies is precisely our effort to increase the competitiveness of biomass as an electricity producer by seeking outside consideration for the non-electric benefits. Our concern is that the current draft of the *2006 Renewable Energy Investment Plan* violates the principle of renewables-neutrality by clearly favoring PV technology over all of the other renewable alternatives in the marketplace. We urge the Commission to rethink this policy of favoritism, and restore balance to the overall distribution of funds among accounts.

In addition to the allocation being one-sided, CBEA also believes the changes from the current allocations are premature. It is true that the early results of utility RPS solicitations have not triggered the need for the use of SEP payments, and that natural gas prices have been increasing for almost a decade, and are now augmented by the lingering effects of the recent wave of hurricanes that hit the U.S. Gulf Coast. All of that notwithstanding, we are absolutely not convinced that we can confidently conclude today that the long-term outlook is that SEPs will hardly be needed in the future. Indeed, this Commission has observed on a number of occasions that despite the enactment of the

state's ambitious RPS program in 2002, and its acceleration to 20 percent by 2010 in the *Energy Action Plan*, so far there has been minimal development of new renewable generating capacity in the state, and the overall renewable contribution to the state's supply has actually decreased, as a percent of the total. We believe that it is absolutely premature to make any major conclusions about the need for SEPs, and imprudent to shutout this option when it might very well be needed within the timeframe of this *Investment Plan*.

Additionally, if one of the goals of the program is to support the solid-fuel biomass industry, it does not make sense to reduce the allocation of funds that are available for solid-fuel biomass generators in the existing account, particularly not when it appears that several eligible but currently idle facilities might restart, increasing the amount of biomass energy production that is chasing the funds in the account. It also makes no sense since we have no idea what the contract prices will be look like for all the Tier 1 facilities (beginning July 1, 2006 for PG&E facilities, and May 1, 2007, for SCE facilities). The CEC is on record recognizing this as a big unknown when it recently approved the increase in the target price and cap for biomass facilities only until July 1, 2006. Thus, any presumptions about what the need will be for Tier 1 facilities before are similarly premature.

CBEA strongly urges you to send the *Renewable Energy Investment Report* to the Legislature that, instead, makes no changes to the allocations for the reasons stated above. The CEC should focus first on getting the flexibility it needs to move funds in <u>and</u> out of <u>all</u> accounts, and then make the changes to allocations according to needs as they arise.

Finally, CBEA has one technical issue in Chapter 4 that should be resolved before the *REIP* is finalized. On page 42, the *REIP* asserts that: "biomass is considered to have a net zero effect on carbon dioxide emissions. If fossil fuels are used to transport biomass, then a net increase in carbon dioxide emissions results." This simplistic approach to understanding the greenhouse gas implications of biomass energy production completely misses the point, and reaches a conclusion that is incorrect. Although the following paragraph seeks demonstrate there is an alternate view by the industry, it is not a sufficient change.

Without any citation, this section should be deleted and instead it be noted that the real effect on greenhouse gas emissions of biomass energy production is a significant reduction in greenhouse gases due to shifts in the ratio of carbon that is emitted as methane and hydrocarbon vs. CO_2 from controlled combustion, as opposed to alternate disposal of the biomass, protection of the stock of fixed (sequestered) carbon in the state's forests by improving their fire resilience, and offset of fossil fuel use (see attached *Energy Production in California: The Case for a Biomass Policy Initiative*, NREL Report No. NREL/SR-570-28805, November 2000). The more commonly accepted analysis of the impact of the solid fuel biomass industry on GHG is that biomass-fueled generation contributes fives times the GHG-emission reduction than does any other renewable. More recently, the draft CalEPA *Climate Action Team Report to the Governor and Legislature*

clearly recognizes some of these benefits, and we anticipate that those sections will be more fully developed in future drafts.

Thank you for taking our comments and recommendations into consideration. If you have any questions, you may contact me or CBEA's Sacramento representative, Julee Malinowski-Ball at 441-0702.

Sincerely

Phil Reese
Chairman, California Biomass Energy Alliance
Board Director, Colmac Energy, Inc.