

**BEFORE THE CALIFORNIA ENERGY COMMISSION**

Development of the California Energy  
Commission Investment Plan for the  
Electric Program Investment Charge  
Program

Docket No. 12-EPIC-01  
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**PACIFIC FOREST TRUST COMMENTS ON THE  
FIRST DRAFT OF THE 2012-2014 TRIENNIAL INVESTMENT PLAN FOR  
FUNDS ADMINISTERED BY THE CALIFORNIA ENERGY COMMISSION  
FOR THE ELECTRIC PROGRAM INVESTMENT CHARGE PROGRAM**

October 2, 2012

## **I. OVERVIEW**

The Pacific Forest Trust respectfully submits these comments on the first draft of the 2012-2014 triennial investment program for the Electric Program Investment Charge (EPIC). We commend the California Energy Commission (CEC) on the strength on the first investment plan draft, and specifically would like to underscore our support for the inclusion of investments in environmental research (S3, S5, and S16), local regulatory permitting assistance (S14), and the development of ecologically sustainable, community-scale energy generation from forest biomass (S12.1).

Promoting sustainable, community-scale forest bioenergy advances many of California's policy goals, and captures substantial ratepayer benefits that are not achieved from larger-scale biomass facilities. This approach also is consonant with the state's overall goals for bioenergy development as articulated by actions 1.1, 1.2, 1.6, 2.4 and 4.1 of the 2012 California Bioenergy Action Plan.<sup>1</sup> Given this, we feel that the first investment plan draft represents a strong initial step in advancing responsible bioenergy development in California. However, as the CEC continues its work in revising this draft, we urge the inclusion of the following items to strengthen the final investment plan:

- **Clear guidance for environmental assessments of biomass sustainability under Strategic Objectives S3, S5, or S16; and**
- **Reflection of substantial forest sector generation potential in specific bioenergy allocations under Funding Initiative S12.1.**

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<sup>1</sup> O'Neill, Garry. 2012. 2012 Bioenergy Action Plan. California Energy Commission, Efficiency and Renewables Division. CEC-300-2012-XXX-XXX, p. 19 *et seq.*

## II. SUSTAINABILITY GUIDANCE

The first draft of the 2012-2014 investment plan recognizes the importance of providing funding support for general research on the environmental effects of renewable energy development through EPIC. However, as the draft currently is written, clarification is needed regarding the role of each potential research funding opportunity and how each will complement one another. This is particularly true with respect to ecological sustainability assessments of potential forest bioenergy developments.

Activities that receive support under EPIC must be undertaken in a way that ensures the realization of ratepayer benefits. For forest bioenergy, guidance on ecological sustainability will be critical to guaranteeing that investments in this area advance—rather than undermine—environmental goals. Forest bioenergy activities supported under EPIC should facilitate sustainable fuels reduction in forests adversely affected by fire suppression. These activities can help create forests that are ecologically resilient in the face of a changing climate—but only if undertaken at sustainable levels and in appropriate ecosystems. Achieving this will require assessing the ecological sustainability of potential bioenergy projects before they are developed. California’s latest Bioenergy Action Plan, which was just released this August, further underscores the importance of such sustainability guidelines. Under the plan, Action 1.2 directs state agencies to:

*Establish Sustainability Standards for Forest Biomass Feedstock Sourcing, Emerging Markets, and Ecosystem Health.*<sup>2</sup>

The 2012 Bioenergy Plan also emphasizes the importance of sustainability with regard to EPIC specifically, and Action 4.1 calls for the CEC and California Public Utilities Commission (CPUC) to:

*Ensure that a Substantial Portion of EPIC funds is Devoted to Developing and Commercializing New Bioenergy Facilities that are Environmentally and Economically Sustainable, as well as Upgrading and Maintaining Existing Bioenergy Facilities as Appropriate.*<sup>3</sup>

Currently, the draft investment plan contains several funding initiatives supporting environmental research, but it is unclear as to which funding initiative would support these important ecological sustainability assessments. For instance, within the Applied Research and Development (AR&D) category, Funding Initiative S3.2, *Develop Innovative Technologies, Techniques, and Deployment Strategies to Accelerate the Commercialization of Sustainable Bioenergy Systems*, will include funding for “studies on how to reduce the environmental impacts from harvesting and the supply of fuels.”<sup>4</sup> Also under the AR&D category, Funding Initiative S5.2, *Research on Sensitive Species and Habitats to Inform Renewable Energy Planning and Deployment*, will provide funding on environmental research, and specifically will focus on the effects of

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<sup>2</sup> *Id.*, at 20.

<sup>3</sup> *Id.* at 34.

<sup>4</sup> California Energy Commission. September 2012. The Electric Program Investment Charge Proposed 2012-2014 Triennial Investment Plan. CEC-500-2012-082-SD, p. 55.

renewable energy development with regard to terrestrial species and habitats.<sup>5</sup> Environmental assessment funding also is included in the Market Facilitation category under Funding Initiative S16.3, *Conduct Technology and Environmental Assessments to Track Progress in the Clean Energy Industry and Assist in Developing Roadmaps for Future EPIC Investments*. However, rather than providing pre-siting assessments of the ecological sustainability of a potential new technology or approach, this funding initiative seems to be focused more on tracking the environmental performance of emerging technologies supported under EPIC.<sup>6</sup>

While each of these funding initiatives appears to provide ample opportunity to support critical, pre-development sustainability assessments of a forest bioenergy technology or strategy, we urge the CEC to provide greater specificity in its revised investment plan as to where these assessments would receive funding.

### **III. BIOENERGY ALLOCATIONS**

In its initial staff proposal, the CPUC directed the CEC to administer \$45 million of the \$75 million annually dedicated to Technology Demonstration and Development (TD&D). At least a 20% portion, or \$9 million, of the CEC-administered TD&D funding must be allocated annually to supporting the development of bioenergy.<sup>7</sup> Accordingly, the draft proposed budget plan presented at the September 27, 2012 EPIC stakeholder workshop outlined a general allocation of \$27 million to bioenergy over the course of the first triennial investment plan.<sup>8</sup> It appears that this \$27 million will be dedicated predominantly to Funding Initiative S12.1, *Demonstrate and Appraise the Operational Performance Characteristics of Pre-Commercial Biomass Conversion Technologies, Generation Systems, and Development Strategies*. At the September 27<sup>th</sup> stakeholder workshop, the CEC requested input on the development of greater specificity within this and other funding allocations.

As more specific funding designations are developed within Funding Initiative 12.1, we urge the CEC to create allocations that reflect current resource potentials. Existing biomass resources in California are sufficient to supply a substantially larger amount of renewable electricity than currently is being generated.<sup>9</sup> Of all of California's technically available biomass resources, in-forest biomass has among the largest resource-development potential.<sup>10</sup> Almost half (14 million BDT/yr) of the 32 million BDT/yr of biomass technically available in the state is from the forest sector.<sup>11</sup> Accordingly, the forest sector has the potential to provide fully half (1,910 MW) of the total generation

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<sup>5</sup> *Id.*, p. 72.

<sup>6</sup> *Id.*, p. 153.

<sup>7</sup> California Public Utilities Commission. Electric Program Investment Charge Staff Proposal (February 10, 2012), p. 21.

<sup>8</sup> California Energy Commission. September 27, 2012. Electric Program Investment Charge First Triennial Investment Plan Development. Presentation given at September 27, 2012 EPIC Stakeholder Workshop, p. 15.

<sup>9</sup> California Energy Commission. 2011. Bioenergy Action Plan. CEC-300-2011-001-CTF, p. 2.

<sup>10</sup> *Id.*, p. 25.

<sup>11</sup> California Energy Commission. 2008. An Assessment of Biomass Resources in California, 2007 (Draft Report). PIER Collaborative Report, Contract 500-01-016, p. 127.

capacity technically possible from biomass.<sup>12</sup> To ensure the efficient investment of EPIC monies, we urge the CEC to develop allocations within Funding Initiative S12.1 that reflect these current resource potentials.

#### **IV. CONCLUSION**

Despite its great potential, distributed, community-scale forest bioenergy generation remains largely pre-commercial, and requires substantial up-front capital investments from rural energy developers. The EPIC draft investment plan acknowledges these challenges, and, through its allocations to community-scale forest bioenergy, provides an important first step in addressing them. This grant support, along with permitting assistance, will help defray high capital costs while better allowing rural municipalities to overcome regulatory barriers that are discouraging community-scale generation.

To build upon this strong foundation, however, clear support for feedstock sustainability assessments and allocations that reflect current biomass resource potentials will be critical. While it appears the draft investment plan contains promising opportunities for such research, we urge the CEC to more clearly define the roles of these different support areas and specify where sustainability assessment funding will be available. Finally, as the CEC begins its work on designating specific allocations within the bioenergy funding initiative, we ask that this be completed in a way that reflects the substantial energy generation potential of California's forest sector.

Respectfully submitted,

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<sup>12</sup> *Id.*, at 128.