

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



November 1, 2016

TO PARTIES OF RECORD IN RESOLUTION E-4805

At the Commission Meeting of October 13, 2016, President Picker reserved the right to file a concurrence in Resolution E-4805. The final resolution was mailed on October 21, 2016.

The concurrence of President Picker is now available and is attached herewith.

/s/ Pete Skala for
Edward Randolph
Director, Energy Division

Attachment

CONCURRENCE OF PRESIDENT PICKER

Concurrence of President Michael Picker on Item 15, Resolution E-4805 Ordering Forest Fuel Bioenergy Procurement Pursuant to Senate Bill 859, the Governor's Tree Mortality Emergency Proclamation, and the Commission's Other Legal Authority

With the passage of Resolution E-4805, this Commission has now authorized over 200 MWs of procurement from biomass facilities that purport to address the State's on-going tree mortality crisis. The underlying justification for these procurements is that creating demand for biomass sourced from high fire hazard zones will reduce fire risk caused by bark beetle induced tree mortality. A purported secondary benefit of this approach to disposing of high fire hazard zone biomass is the reduction of greenhouse gas emissions.

I remain skeptical on both counts. First, the scale of California's tree mortality crisis – over 60 million dead trees and counting – is simply too large for electricity generation uses of biomass to be a scalable or sustainable solution. California has a vibrant and cost competitive market for renewable energy, with new contracts for utility scale solar PV being offered at under \$0.06/kWh. By contrast, biomass – particularly biomass derived from high fire hazard zones --- costs multiple times more to deliver the same RPS eligible generation. Serious doubt remains as to whether the facilities that are contracted as a result of this Resolution will be able to procure the necessary levels of high fire hazard zone biomass to meaningfully support the goal of mitigating wildfire risk. It is for that reason that these projects must source a minimum of 60% of their fuel from high fire hazard zone sources, or be subject to contract termination.

Second, the relative GHG benefits of utilizing high fire hazard zone biomass for electricity generation as compared to other approaches to disposal, like open burning are dubious. Biomass only provides a clear GHG benefit relative to open burning if it replaces natural gas generation, but in the case of Res E-4805, where the generation is RPS eligible, it is unclear whether generation will displace natural gas or other renewables.

For E-4805 specifically, the generation mix and contract terms regarding fuel make GHG emissions benefits even more uncertain.

- **Displaces renewables:** In reality, biomass generation cannot be assumed to displace natural gas on California's increasingly renewable grid. Its value as baseload renewable power depends on complex changing valuations of ancillary services. Also, because IOUs are using this procurement to satisfy future RPS obligations it will likely reduce future purchases of emission-free renewables like wind and solar.
- **Transportation logistics.** Forest fuel may need to travel distances greater than 50 miles, significantly increasing the GHG impact from transportation. An unprecedented level of trees need to be removed, and may need to be transported from multiple storage locations, as opposed to being directly transferred to generation facilities.

Overall this remains expensive procurement, with IOU ratepayers bearing the burden for air quality and safety benefits that current valuation systems don't capture.

In light of these concerns, I expect each of the IOUs signing these contracts to strictly adhere to contract terms approved in Res E-4805 aimed at protecting ratepayer interests. Specifically, Res E-4805 includes a requirement that any failure to meet the following contract terms will result in termination.

- At least 80 percent of the feedstock of the facility, on an annual basis, shall be a byproduct of sustainable forest management; at least 60 percent of the total feedstock on an annual basis shall be from Tier 1 and Tier 2 High Hazard Zones.

Under the terms of the contract, the utilities have audit rights to affirm that generators are in fact meeting their fuel feedstock requirements. It is my expectation that the utilities shall, for the first year of their contracts, conduct quarterly audits of each facility they contract with. Upon completion of these audits, I request that each utility submit their audit report to my office for review. In subsequent contract years, I expect each utility to conduct at least two audits per year.

The reason I am highlighting these contract terms is to ensure that each of the facilities that receives a contract under the auspices of this Resolution strictly

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adheres to the requirements that have been put in place to maximize both ratepayer and societal benefits. If these terms are in any way not met, I expect the utilities to swiftly exercise their contractual termination rights.

Dated November 1, 2016 at San Francisco, CA

/s/ Michael Picker

Michael Picker

President