



FILED

10-20-11
04:59 PM

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the
Commission's own motion to determining the
impact on public benefits associated with the
expiration of ratepayer charges pursuant to
Public Utilities Code Section 399.8.

_____ /

Rule making R. 11-10-003

**COMMENTS OF COVANTA ENERGY CORPORATION
ON PUBLIC GOODS CHARGE FUNDING PROGRAM AND ALTERNATIVES**

October 20, 2011

Patrick Kenneth Holley
Business Manager
Covanta Delano, Inc.
31500 Pond Road
Delano, CA 93216
Ph: (661) 792-3067 ext. 105
PHolley@CovantaEnergy.com

Comments of Covanta Energy Corporation on Public Goods Charge Funding Program and Alternatives,

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the
Commission's own motion to determining the
impact on public benefits associated with the
expiration of ratepayer charges pursuant to
Public Utilities Code Section 399.8.

Rule making R. 11-10-003

**COMMENTS OF COVANTA ENERGY CORPORATION
ON PUBLIC GOODS CHARGE FUNDING PROGRAM AND ALTERNATIVES**

Introduction

Covanta Delano, Inc. ("Covanta Delano") respectfully submits these Comments of Covanta Energy Corporation on the Public Goods Charge Funding Program and Alternatives. Covanta Delano hereby submits its comments to the California Public Utilities Commission as referenced above. We thank you in advance for your consideration of our submittal, and any additional information we may submit, during your deliberations. Covanta Delano provides these comments to the California Public Utilities Commission in hopes that the Commission will consider instituting a program similar to the Public Goods Charge CEC Renewable Funding Program, which will be

Comments of Covanta Energy Corporation on Public Goods Charge Funding Program and Alternatives,

expired as of January 1, 2012. Covanta Energy Corporation currently operates six biomass facilities in California and we believe the current CEC Renewable Funding Program was instrumental in creating and supporting the continued operation of these facilities.

We will start by first addressing our question 2 under section 3.2 Renewable Energy. The question asks, “For existing renewable facilities, particularly biomass, should the existing program be continued as-is? Why or why not?” Covanta Delano believes the existing-facilities program that supports biomass plants, who create and maintain thousands of jobs in California and produce renewable energy from woodwastes, should be continued for its support of “orphan” plants; plants which have lower than market energy pricing. This would support the collection and utilization of wood fuel that would otherwise be open burned or left to decay in forests. Many biomass plants in California have had low energy pricing for many years and this has led to numerous temporary closures, curtailments, and permanent closures. In order to provide support for the industry and the jobs and economic activity they generate, we believe that funds should be made available for a two-pronged effort to support the existing biomass industry. Some of the funds should be used to target a reduction in the cost of biomass fuels from the two key sources that both provide very desirable packages of ancillary benefits, and are among the most expensive of biomass fuel sources to produce: agricultural residues, and in-forests residues. The second prong is a program to support continuing operations at specific biomass facilities that are in imminent risk of

Comments of Covanta Energy Corporation on Public Goods Charge Funding Program and Alternatives,

closure and/or plants having lower than market legacy energy pricing (orphan plants in the current Existing Renewable Facilities Program). Covanta Delano has 50 direct employees, and supports approximately 150 indirect jobs (fuel supply and local contractors, vendors). The plant generates a \$5.1 million payroll and a \$19.8 million contribution to local economy (fuel, supplies, equipment, contracting), and provides \$383,000 in sales and property taxes. This part of the program would probably resemble the current program in its structure.

Question 3 under section 3.2 Renewable Energy asks, “Could the existing facilities be supported in a different way, such as via current competitive RPS procurement by IOUs? If so, how?” The exiting biomass facilities could indeed be supported in a different way. Although, the alternative suggested in the question, relying on the current competitive RPS procurement process, is simply not a viable alternative under current market conditions which would involve the payment of significant damages to utilities if RPS offers to utilities were successful. Many plants have a number of years remaining on the terms of their PPAs, which must be resolved before the plants can move into RPS procurement by IOUs. While the goals of the current program for existing renewables are laudable, which essentially means keeping biomass plants in California operational, the funds are not getting to the crux of the economic issues for the biomass industry, and that is the costs of collection and transportation of the fuel. Every existing plant is constrained by its contracts with utilities as to how much they can pay for obtaining fuel. The cost of biomass feedstock is determined by the type of fuel, and its

Comments of Covanta Energy Corporation on Public Goods Charge Funding Program and Alternatives,

distance from the facility. Agricultural wood waste and in-forest waste and residues are the most difficult to get, and therefore the most expensive. Diverting this waste from open burning, however, is the most environmentally preferable alternative for the disposal of this material. Covanta Delano utilizes more than 200,000 tons of agricultural wood waste annually which would alternatively be open burned creating far higher emissions than is the current case with biomass energy.

We support the use of ratepayer funds for fuel incentives to increase the biomass industry's collection of these more expensive fuels. The public-purpose rationale for providing such incentives is to ensure that the environmental benefits continue to be provided to the state's citizenry. The use of funds for biomass fuel incentives has been established before on a limited basis in California with much success, for the category of agricultural fuels. A modest subsidy per ton of agricultural waste collected and used as boiler fuel resulted in the collection of almost a million additional tons of agricultural wastes in the year the program ran, preventing open-burning of these residues. If the first prong of the program is structured this way, the state will realize tangible, easy-to-track results that serve the same purpose as the original Existing Renewable Facilities Program. This is an industry that needs to be preserved and enhanced if the state is ever going to realize its renewable energy, greenhouse gas emissions reduction, and air quality goals.

Conclusion

Our suggestions to base the bulk of the program for existing facilities to be created under this proceeding on providing targeted support for agricultural residue and in-forest residue fuels is, in effect, as set-aside program for projects that provide a special package of ancillary environment services to the state. We strongly support the creation of such a program.

Dated October 20, 2011, at Delano, California

Respectfully Submitted,

/s/ Patrick K. Holley

Patrick K. Holley
Business Manager
Covanta Delano, Inc.
31500 Pond Road
Delano, California 93216
Phone: (661) 792-3067 ext. 105
E-mail: PHolley@covantaenergy.com