



CPUC Directing Biomass Power Procurement to Address California's Tree Mortality Emergency

Governor's Proclamation

On October 30, 2015, Governor Brown issued an Emergency Proclamation to protect public safety and property from falling dead trees and wildfire. The Proclamation directs the California Public Utilities Commission (CPUC) to take actions including:

- Use its authority to extend contracts for existing forest bioenergy facilities receiving feedstock from high hazard zones.
- Take expedited action to ensure that contracts for new forest bioenergy facilities receiving feedstock from high hazard zones can be executed within six months, including initiation of a targeted Renewable Auction Mechanism (RAM).
 - RAM is a procurement program under the CPUC's Renewables Portfolio Standard (RPS) that uses a reverse auction to select the least-cost, best-fit renewable project.

The Proclamation also directs state agencies, including CAL FIRE, to designate high hazard zones for wildfire and falling trees.

The Proclamation is available at:

https://www.gov.ca.gov/docs/10.30.15_Tree_Mortality_State_of_Emergency.pdf.

CPUC Action

The CPUC's Resolution E-4770 addresses some of the CPUC directives in the Proclamation.

- The Resolution orders Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E) to each hold a solicitation for contracts with facilities that can use biofuel from high hazard zones using the RAM procurement process.
- The Resolution allows PG&E and SDG&E to enter into bilateral contracts with these facilities. This provision was necessary for their 2015 RPS solicitation cycles because CPUC Decision D.15-12-025 prohibited PG&E and SDG&E from entering into bilateral contracts.

- The Resolution is available at

<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&DocID=159652363>.





RAM Auction

The CPUC's Resolution E-4770 orders the utilities to execute an expedited process to hold a RAM auction that follows these parameters:

- **Solicitation Size: 50 MW Minimum:** The utilities must procure at least 50 MW from the RAM auction (PG&E: 20 MW; Edison: 20 MW; SDG&E: 10 MW). The utilities may procure more capacity than these required minimums. There are no facility size restrictions.
- **Progressive Fuel Requirements:** To ensure that these contracts are addressing the emergency, the CPUC's Resolution establishes minimum fuel requirements. The fuel minimum represents the amount of the biomass facility's annual fuel usage that must come from high hazard zones. The calendar year minimums are: 40 percent in 2016, 50 percent in 2017, 60 percent in 2018, and 80 percent for each subsequent year.
- **Incentive for Facilities to Exceed Fuel Requirements:** Utilities will favor bids in the solicitation that commit to meeting the fuel requirements specified above on an accelerated basis.
- **Fuel Tracking:** To track and ensure high hazard fuel processing, the utilities will require the biomass facility to submit quarterly attestations to the utilities during the contract period. The utilities have the right to audit these attestations.
- **Provisions When a Facility Cannot Meet Minimum Fuel Requirement:** If or when biomass facilities cannot meet the fuel requirement, the utilities must offer biomass facilities the option to either terminate the contract or to operate at the current Renewable Market Adjusting Tariff (ReMAT) baseload price of \$89.23/MWh for the duration of the contract.
- **Five Year Contract Option:** The utilities must provide a five year contract as an option for existing facilities. This is in addition to standard contract length options of 10, 15, and 20 years. Contract length options are selected by the biomass facility (the seller).
- **Accelerated Solicitation Date:** The utilities must submit Tier 2 Advice Letters by April 7, 2016, containing the RAM contract rider. The utilities must commence the RAM auction within two weeks after these two conditions are met: 1) the CPUC approves the Advice Letters, and 2) CAL FIRE designates the high hazard zones.

Comments by parties, particularly the Forest Service, highlight the uncertainty related to the amount of high hazard fuel that will be available. While the scale of the problem is vast, there is significant uncertainty about fuel harvesting, transportation, and processing infrastructure. The CPUC is also concurrently considering tree mortality biomass procurement issues in other programs including the BioMAT program.

Next Steps

- The utilities are ordered to file Tier 2 Advice Letters consisting of a rider to be used along with the standard RAM contract and the solicitation documents by April 7, 2016. Then there is a 20-day period when the advice letters may be protested.
- After the ALs containing the rider and documents are approved by the Commission through a resolution or disposition letter, the utilities will hold solicitations, evaluate bids, select winners, and execute contracts.
- After contract execution the utilities will file Tier 2 Advice Letters seeking approval of contracts. Commission will evaluate and approve or reject these Advice Letters.

