

WDA **Weldon-Dean Associates, LLC**
Specialists in energy and regulatory services

2227 Shirley Ann Court
Tallahassee, FL 32308
T 850-980-6028
F 850-681-0284
jdean@weldon-dean.com

December 8, 2008

Ms. Anne Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd
Tallahassee, FL 32399

**RE: COMMENTS OF FLORIDA PULP AND PAPER ASSOCIATION IN
DOCKET 080503-EU -- ESTABLISHING RENEWABLE PORTFOLIO
STANDARD**

Dear Ms. Cole:

Please find attached to this cover page the comments filed on behalf of the Florida Pulp and Paper Association in the above referenced docket.

If you have any questions, please contact me.

Sincerely,

S/James W. Dean

JWD/attachment

cc. Chairman Matthew Carter
Commissioner Lisa Edgar
Commissioner Katrina McMurrian
Commissioner Nathan Skop
Cindy Miller, Office of General Counsel

**Post December 3, 2008 Workshop Comments filed by the Florida Pulp and Paper Association With Respect to Establishing A Renewable Portfolio Standard Rule
Docket 080503-EI**

The FPPA is a non-profit association of five manufacturing companies in the business of producing pulp, paper, and other wood products in the State of Florida. The wood products industry employs about 32,000 workers throughout the state and produces \$7.6 billion dollars in value added products. We have a keen interest in the development of a renewable portfolio standard for Florida. This industry is a large user of biomass to produce high value consumer products sold domestically and in overseas markets. In addition, our members already produce substantial amounts of their on-site electricity from biomass generation.

The challenge before the Commission in developing recommendations to the legislature is extremely difficult. You are being confronted from a variety of pressures to make Florida a leader in the use of renewable energy; yet the empirical work performed by Navigant and others across the nation shows that Florida has very limited, economically competitive renewable resources *at this time*. Most of these technologies by definition are more expensive than traditional utility generation. With the recent collapse of the speculative driven oil and natural gas markets, alternative energy resources are even less competitive. Thus, as the Office of Public Counsel and others have said, the more aggressive the RPS goal, the greater the costs that will be imposed on all users of electricity in Florida. Balancing and making recommendations between such fundamental conflicting constraints is not an easy position to be in.

The one resource that is very close to being competitive, and in some cases is in fact already competitive, with traditional generation is biomass fueled generation. The competitive advantage of biomass is entirely driven by the cost of biomass fuel relative to the costs of oil and natural gas. To the extent that the biomass resource base i.e. forest and agricultural production can expand at a rate to provide the amounts of biomass used in power production, the future of biomass as a generating fuel is both economically competitive and sustainability. This has the positive consequence of making biomass directly competitive with traditional fuels and thereby not increasing generation costs to the ratepayers. This is why the FPPA supports the carefully

timed development of renewable energy resources. We believe Navigant has done a very credible job under extremely tight timeframes in assessing the technical potential for biomass in Florida. However, our comments today are meant to add a few real world constraints on how fast that resource can be transformed into power production.

First, the woody biomass industry that our members are experts in consist of planted pine and hardwood and since the planting dates and harvest rates of these forests are studied annually; our members, the US Department of Agriculture, and the Florida Department of Forestry have very good estimates on the current availability of woody biomass. Navigant's report talks about the availability of other biomass sources such municipal solid waste, future energy crops, conversion of reclaimed phosphate, and other new potential sources of biomass. Our comments do not address issues of availability and sustainability with respect to these other sources of biomass fuel.

As Navigant points out in their summary table of the biomass resource base, almost all of the current woody biomass is being harvested and used. The Navigant Study (p. 78) study indicates that perhaps between 400,000 dry tons to a maximum of 5.9 million dry tons of unused forest and agricultural residuals may be available today. A typical 100 MW biomass plant uses about 630,000 dry tons biomass per year. Thus, in the near term Navigant's report suggests that with current harvest levels and current technology, something between 400 MWs but no more than 930 MWs of new capacity could be built without seriously jeopardizing the sustainability of the existing forest. In the future, with the successfully commercialization of gasification combined cycle technology these numbers could be somewhat higher.

Already, there are competing demands from biomass generators who are in the permitting stage for new generation units or others who are placing new demands on the forestry base. The City of Tallahassee has signed two contracts for 70 MWs with biomass generators; Gainesville has selected a 100 MW plant as the winner in its RFP and is in final stages of negotiating a contract; a large Florida paper mill is terminating its contract for Brazilian hardwood and will soon take another half million dry tons from Northwest Florida, and finally we have an operating pellet plant in Jackson County, Florida that is taking biomass and is targeting taking a half million dry

tons. Thus, known demands on Navigant's resource potential of 5.9 million tons can be reduced by almost 2 million tons. These projects are being undertaken without the additional incentive of a mandatory RPS goal or renewable energy credits. A key point to recognize is the 5.9 million ton estimate is from one point in time. The pine re-planting records for Florida shows that since 2000 landowners are re-planting fewer acres annually than they are harvesting. **This means that Florida's forests will be over cut within 10 years if current wood demand remains constant.**

Using the optimistic upper limits of the Navigant numbers on unused woody biomass and subtracting these new demands, results in only about 3.9 million tons or about 615 MWs of new generation being available at this time. Historically, this is less than one year's new capacity growth for the entire electric grid in Florida!

These comments are offered not to be discouraging about the potential of biomass but emphasize any rule must consider the timing of the goal and the ability of Florida's forest base to provide the required fuel volumes. **If the right signals are provided for a thoughtful phase in period for the RPS goals, then as Navigant points out, there are opportunities to expand both silviculture and farm production to produce more biomass.** For pine/hardwood this growing cycle is about 18-35 years. Crops from farm land conversions such as dedicated grasses can be grown much faster, but they require substantial greater planted acreage.

From FPPA's perspective, it is both the percentage RPS goal that the Commission recommends and the timing that is important. Without time for the agriculture sector to develop the biomass resource base, we could have unrestrained harvesting of the existing forest to meet the RPS goal which would lead to a decline in the forest sustainability and by definition threaten the definition of it being renewable. Moreover, biomass prices for existing users of wood products including manufacturers and generators could skyrocket driving many out of business and increasing generation costs for those already selling electricity from biomass under existing contracts.

The other benefit of a realistic phase in is that if the proponents of these new renewable technologies are correct in their statements that the cost of these technologies are coming down, then a more gradual deployment schedule will result in less costs being imposed on ratepayers to prematurely support these technologies. **We believe the timeframe and percentage contained in the October 14th Proposed RPS language appropriately balances these conflicting objectives. However, we would request that the percentage caps that would apply to achieve these goals be lowered to 1% of total retail revenue.**

Thus, in conclusion we urge a cautious approach with respect to the phase in period that the Commission recommends. The FPPA is a major player in this business and sees many new opportunities in the future. However, we want to move forward with biomass development in a way that does not lead to unintended consequences like what happened with the government mandates for ethanol production. Destruction of Florida's forests or economic dislocations of a large manufacturing sector especially during these painful economic times is not the legacy that neither the Commission, nor the Legislature want associated with too rapidly deploying renewable portfolio standards.