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August 22, 2017

Via Email

littlehoover@lhc.ca.gov

Pedro Nava, Chairman
The Little Hoover Commission
925 L. Street, Ste. 805
Sacramento, CA 95814

Re: Threats to Developing Markets for California Wood Products

Dear Chairman Nava:

When we talk about developing markets for wood products in California, we first and most importantly need to address the Governor's direction to the California Public Utilities Commission (CPUC) regarding the requirements for bioenergy facilities to receive threshold amounts of feedstock from high hazard zones in the forest.

Of the ten "high hazard" counties identified by the Governor as being in a state of emergency due to pervasive tree mortality, Tuolumne County is unique in that we have infrastructure currently in place to potentially solve the tree mortality crisis in our area while simultaneously supporting and growing our wood products industry. However, the onerous requirement by the Legislature for high hazard zone material is severely hindering the wood products market in Tuolumne County and throughout the State.

Tuolumne County remains ahead of the nine other counties in our pace and scale of hazardous tree removal efforts, yet IHI Power Services Corp's 25 MW biomass plant in Tuolumne County, Pacific UltraPower, is struggling to meet its high hazard zone material requirement for 2017 due to an inability to get enough material as well as the cost to haul material from the forest to their plant. If it were not for the County's efforts in removing dead trees along county right-of-ways and allowing Pacific UltraPower to utilize that material, IHI would not be able to meet their 50% high hazard material threshold for this year. As the threat to public infrastructure from dead and dying trees diminishes in the coming years, IHI will have even greater difficulty meeting their growing requirements as the County and others run out of hazardous material to deliver to their plant. Meeting their 80% threshold requirement in 2019 will be nearly impossible.

Because of these impossible threshold requirements, the high cost to haul material and the unreliable source of feedstock, any new wood products facilities are deterred from developing new markets in California. Just last week, I received notice that a promising and innovative biomass power plant utilizing cutting edge gasification technology has chosen not to build a facility in Tuolumne County using EPIC grant funding because feedstock is unreliable and too expensive to acquire from the forest-the high hazard zone threshold requirements would be impossible for them to meet. Furthermore, the pillar of the National Disaster Resiliency Competition (NDRC) grant

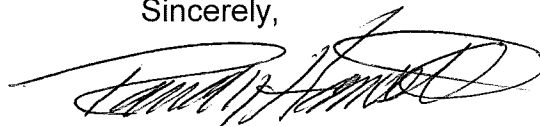
that was awarded to Tuolumne County for a biomass and wood products facility is being threatened due also to the unreliability of feedstock.

I believe the solutions to this problem are three-fold:

1. Most immediately, the threshold requirements of high hazard zone material must be lifted by the Legislature and the Governor. We cannot afford to have biomass facilities like Pacific UltraPower in Tuolumne County close simply because they were not able to meet their requirements.
2. Like other types of renewable energy, biomass utilization must be incentivized through vouchers and other legislated methods to reduce the cost to haul material.
3. The Forest Service should be urged to participate in biomass utilization. At this point, because it is not cost effective, the Forest Service piles and burns most of their material, contributing to carbon emissions in the atmosphere.

It is admirable to develop goals but when goals become restrictive requirements with thresholds that are impossible to meet, the goals need to be reevaluated. I believe these goals are severely hindering the future of the wood products industry in this State. I request the Little Hoover Commission exercise its influence by informing the public and the Legislature of this important issue and to every extent possible, work toward a solution of supporting and developing markets for wood products in California, including biomass power plants.

Sincerely,

A handwritten signature in black ink, appearing to read "Randy Hanvelt", written in a cursive style.

Randy Hanvelt
District 2 Supervisor