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I-937 Technical Working Group Analytic Guidance: Longview Fibre Biomass Project

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Mr. Nebel:

On November 24, 2010, Longview Fibre submitted a letter to Commerce requesting comment on whether increased power production at the Longview mill might generate Renewable Energy Credits under the state's Renewable Portfolio Standard (I-937). In the intervening months, Commerce, Washington Utilities and Transportation Commission staff and State Auditor staff worked together to convene the interagency I-937 Technical Working Group (TWG), comprised of staff representing Commerce and the UTC. On May 12, 2011, members of the TWG met to review Longview Fibre's request. We apologize for the delayed response to your request and greatly appreciated your patience as we prepared this interagency analysis.

Background

Longview Fibre has been in operation since 1927. The mill currently operates three power boilers fueled by solid woody biomass, and two recovery furnaces fueled by pulping liquors. The resulting steam is comingled, and used to drive three turbines with a combined rating of 55 megawatts capacity (MwC). The resulting electrical generation is applied to the load at the plant. Beginning in October 2011, a new electric utility contract will enable all generation to be sold into wholesale power markets.

From 2006 to 2007, Longview Fibre invested approximately \$8.5 million to upgrade two of the power boilers. They plan to rebuild the third power boiler and one of the recovery furnaces, and install an additional 34 MwC steam turbine. Longview Fibre is seeking comment on whether either or both phases of this staged development constitute new capacity under I-937.

Relevant definitions per RCW 19.285.030

Eligible Renewable Resource: Electricity from a generation facility powered by a renewable resource other than fresh water that commences operation after March 31, 1999 ... (cont'd).

Renewable Resource: ... biomass energy based on animal waste or solid organic fuels from wood, forest, or field residues, or dedicated energy crops that do not include (i) wood pieces that have been treated

with chemical preservatives such as creosote, pentachlorophenol, or copper-chrome-arsenic; (ii) black liquor by-product from paper production; (iii) wood from old growth forests; or (iv) municipal solid waste.

TWG Analysis and Response

The TWG offers analytic guidance to provide more clarity on issues related to I-937; however, the guidance does not represent pre-qualification under I-937, nor does it represent a legal opinion. This guidance contains staff opinions based solely on facts presented in your letter and assumes those facts to be true and correct. Agency staff reserve the right to change their opinion should additional information come to their attention. These views are solely those of the agency staff and cannot be considered to be binding in any formal proceeding on this matter. It is incumbent on the utility using this process to make their case to the State Auditor or UTC, as appropriate.

The core issues addressed by the TWG were: 1) What constitutes a "generation facility" within the definition of "eligible renewable resource," and 2) What are the criteria for determining when a generation facility "commences operation?" The TWG found:

- While replacement of boilers or a steam turbine alone does not constitute a "generation facility," an electrical generating device such as a steam turbine is an essential component of a "facility."
- The scope of recent and proposed improvements is sufficient to deem the combined project a "generation facility." A more specific delineation of threshold criteria for this determination is beyond the capacity of the TWG, and would need to be addressed through rulemaking or legislative action.
- Since the upgrades will have taken place since April 1, 1999, this generation facility will have commenced operations once the new 34 MWc turbine is installed and is operational.
- Since steam from the boilers and furnaces is comingled prior to reaching the turbines, that portion of the resulting power fueled by black pulping liquor and non-qualifying solid organic fuels would need to be subtracted from the calculation of eligible renewable resource.
- In sum, the proportion of electricity generated by the new 34 MWc turbine fueled by qualified biomass is an eligible renewable resource under I-937.

If you have questions, please contact Meg O'Leary at meg.oleary@commerce.wa.gov or (360) 725-3121.

Thank you,



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