

# Public Comment

for May 15, 2017

RCEA Board of Directors Meeting

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Board of Directors  
Redwood Coast Energy Authority  
633 3rd Street  
Eureka, CA 95501

RE: RCEA PPA with DG Fairhaven, LLC.

Dear RCEA board of directors;

We are writing to express our thanks to the board for including DG Fairhaven as a biomass asset that should be contracted under the ongoing RCEA procurement process. We appreciate that the board listened to the community and its desire to include local biomass that has been supporting quality jobs, local taxes, and the timber industry for 30 years. We met with the RCEA leadership team to discuss the terms and conditions of that offering on 12 April 2017.

The PPA contract being offered to DG Fairhaven has two parts; 1) a 9 month term at a market energy rate based on the CAISO DAM clearing price; and 2) a 51 month term at a fixed rate of \$83/ MWhr. It is impossible for any biomass asset in the state of California to operate at current CAISO market rates; this revenue stream would not cover the fuel cost needed to produce the energy let alone the fixed operating cost of returning the facility to service. The wholesale energy market effect of almost 10,000MW of solar generation in California has created negative clearing prices during the day for generators, creating a baseload average DAM price of \$31.90 for 2016 and \$32.60 year-to-date 2017. Energy rates clearing in the CAISO do not recognize the societal benefits of renewable biomass energy.

The 51 month term is reasonably acceptable, except for the contract conditions that allow the RCEA to adjust the contract quantities upon various market changes. These changes can be implemented at any point in the contracting term and will have a profound effect on our ability to honor any obligations we have to our employees, our suppliers, and our ability to remain as a going concern in the community.

Given the latitude RCEA has to change the contracted volume during the contract term, it is unlikely that the contract approved by the board will provide sufficient surety of

revenues to enable the DG Fairhaven plant to be restarted. Without a defined annual capacity commitment from the RCEA that supports the fixed operating costs of the plant, the facility would be operating with no ability to forecast its potential revenues, no ability to make commitments to suppliers, and no reasonable expectation that it can repay any capital investment.

In order to supply renewable Biomass energy to the RCEA, DG Fairhaven needs a reasonable term contract with a defined capacity commitment that is close to full output, allowing the company to make the investments necessary to bring the plant back online and operate within our environmental permits. DG Fairhaven has a long standing history of professional energy management practices, employing locally trained plant engineers and operators and fostering business continuity with our neighboring mills, service providers, and other suppliers within Humboldt County. We remain committed to responsible operations, but find it difficult under the construct of the proposed PPA.

We continue to look for other contracting opportunities where we can make the appropriate commitment to return our employees back to work but have found little opportunity outside of the local CCE. Our local material providers are supporting us in this endeavor, companies including Schmidbauer and Green Diamond who we have long standing business and personal relationships with. We value these relationships and the contributions of our employees and are anxious to reestablish them and resume reinvestment in the Humboldt economy.

We are of course open to any future discussions and will continue to look for ways to restart the Fairhaven facility. We are expecting RCEA management to send us a PPA draft to review over the next few weeks and will review and provide any comments we have. If the board has any insight or suggestions on enabling a reasonable contract we would be delighted to meet and discuss.

Respectfully;



Edward Kent  
EVP  
EWP Renewable Corporation

CC:

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