



## BIOMASS ONE LP

2350 Avenue G  
White City, Oregon 97503  
Office: 541-826-9422  
Fax: 541-826-6186  
www.biomassone.com

House Committee on Energy & Environment

March 5, 2015

RE: Proposed Changes to HB 2449 – Woody biomass

Biomass One, LP is a 30 megawatt woody biomass fueled electrical generating facility located in White City, Oregon. In order to operate the plant 24/7 requires approximately 240,000 bone dry tons of woody biomass each year. The plant utilizes a wide variety of woody feedstock, including a significant volume of processed woody biomass that is the byproduct of forest management operations (slash) from small private, large private industrial and publicly managed lands. These operations range in geography from central Oregon to the coast.

Biomass One, LP has procured woody biomass from eight different in-woods grinding contractors over the past five years. During this period our facility has purchased an average of 48,000 bone dry tons per year of processed woody biomass from in-woods grinding operations utilizing the byproduct from forest management operations. In addition, Biomass One, LP owns and operates three tub grinders capable of processing such woody biomass. These company owned tub grinders produce an average of 10,000 bone dry tons per year.

The combination of the purchased woody biomass and that produced by our company operations represents anywhere from 15% to 40% of our annual woody biomass required volume over the past five years. In 2011 the company consumed a total of 96,000 bone dry tons of such material. The tax credit was reduced in 2012. Since that time we have consumed an average of 42,000 bone dry tons.

In general, Biomass One, LP is very supportive of the proposed changes to HB 2449 by the Department of Energy. Returning the tax credit to \$20.00 per bone dry ton will certainly allow our suppliers and company operations to reach out further for processed woody biomass delivered to our facility, and perhaps tackle projects previously deemed too small or difficult to complete. We applaud the agency for attempting to increase the credit to near its initial rate.

I do however have some minor concerns with regard to prospective changes or adjustments to the tax credit rate by the agency to reflect changes in market conditions. First off, business thrives on stability and predictability; such conditions can mitigate risk. Our suppliers are typically reviewing operations that require bids immediately, but may not have physical operations for another two years. An initial bid incorporating a \$20.00 per bone dry ton could be only \$11.25 per bone dry ton two years later, reflecting a potential drop by 25% each year. This reduction may not seem like much, however, woody biomass has very little value to begin

with, and such a reduction would have a significant impact; as much as a 22.5% reduction based upon current market values.

In addition, the time frame for instituting such adjustments is unfavorable for business. The best scenario, if such adjustments are absolutely necessary, would be to conduct the analysis and institute the change within the first month of the year. As currently proposed, by the time the actual adjustment is instituted, the very market conditions warranting may no longer be pertinent. I think any organization or individual in this business would prefer to have the rate set and make no changes through a set period to better facilitate appropriate planning.

As for the proposed pilot projects, we certainly recognize the need for additional outlets for byproduct left behind after forest management operations, especially in fire prone ecosystems throughout our State. Currently much of this material is either burned or left to decompose. Our only concern would be allowing a government agency basically determine winners and losers in a competitive business environment. Only under extremely extenuating circumstances would this be acceptable. Therefore, without a compelling argument for a particular proposed project, we would be concerned.

Biomass One, LP thanks the committee for their time reviewing our comments with regard to HB 2449.



Todd T. Hansen  
Fuel Manager, Biomass One