October 19, 2010

Mr. Philip Giudice, Commissioner
Mr. Robert Rizzo, Biomass Energy Program Manager
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, Massachusetts 02214

Dear Commissioner Guidice:

As the developer of the Palmer Renewable Energy (“PRE”) project in Springfield, I write to offer our perspective on the proposed draft regulations (225 CMR 14.00) governing the eligibility of biomass and other technologies for Renewable Energy Credits under the Commonwealth’s Renewable Energy Portfolio Standard. These regulations will likely have a deleterious impact on the Commonwealth, generally, and our project, specifically.

As drafted, the DOER’s newly proposed regulations provide that biomass units must meet a criteria developed in an attempt to minimize greenhouse gas emissions from biomass resources. Accordingly, DOER, among other measures, has proposed an efficiency criterion for full Renewable Energy Credit (REC) benefits at 60%; providing that units operating at levels beginning with 40% efficiency will receive only a fraction of a REC for each MWh generated on a sliding scale. 225 CMR 14.05(8)(b). Put simply, these criteria will jeopardize the PRE project in addition to many other projects throughout the New England region.

Currently, PRE is developing a biomass to renewable energy plant in Springfield, Massachusetts that will produce 38 MW of net electrical power from 1200 tons per day of green wood chip material derived from tree-trimming activities. In doing so, PRE has focused on developing a plan which offers numerous short-term and long-term benefits to the Springfield area. These benefits include, but are not limited to:

- Processing fuel from green wood chips derived from tree-trimming activities to produce “green” power thereby reducing the Commonwealth’s reliance on fossil fuels;

- Reducing greenhouse gas emissions and costs associated with the long distance transportation required for the disposition of wood material that would otherwise be used in out-of-state power generation plants – see the greenhouse gas analysis that PRE recently filed with the MEPA office;

- Creating over 50 new high-paying permanent jobs and 250 construction jobs in the economically depressed Springfield area;

- Attracting new business – both ancillary and direct -- to the Springfield area, especially high-tech, with cost-effective availability of power;
• Positioning Springfield and Massachusetts as nationwide leaders in renewable energy generation from biomass;

• Working together with the City of Springfield and the Massachusetts Department of Public Health to coordinate a program to raise public health awareness while developing and funding strategies to address identified public health needs for the City’s at-risk populations.

When built, the PRE plant will have an initial 29% efficiency rating based on our use of the Babcock Advanced Stoker technology. The Babcock Advanced Stoker Technology is significantly higher than other comparable technologies that were evaluated for the project. Having previously received designation from DOER as an “advanced” technology, the Babcock Advanced Stoker Technology has been proven to produce the quantity and quality of steam that in turn produces the renewable energy in an environmentally favorable manner. In addition to the fact emissions from an Advanced Stoker unit, combined with advanced emissions control devices, are inherently lower than conventional technologies; PRE relied on the DOER’s own “advanced” designation to meet the technology qualification standards for Renewable Energy Credits. Ironically, the proposed efficiency regulation would seem to penalize PRE for relying on DOER’s earlier assertions.

Notwithstanding that fact, PRE has designed and will construct a facility to process fuel derived from green wood waste that meets the DOER’s other criteria. The wood fuel material will be delivered by one of the owners of PRE, Northern Tree Service of Palmer (“NTS”), a proven leader in the development of regional wood fuel resources. NTS has conducted a comprehensive Green Wood Chip Inventory Survey that shows 1,274,000 tons per year green wood chip material that is available from NTS and other operations in close proximity to the PRE site. This will allow us comply with the requirements in the draft regulations to detail and certify the sources of their wood chip material.

Yet, while the PRE project otherwise qualifies for REC credits under the expected criteria of approved wood fuel material, approved advanced technology and resultant benefits from a greenhouse gas perspective, the draft regulations, as proposed, simply penalize strong projects like the PRE project. As you are aware, RECs are critical for the long-term financing of biomass energy plants like PRE that must otherwise compete in the marketplace with lower priced, significantly “dirtier” fossil fuel sources. The proposed efficiency level requirement is simply inappropriate for regulations governing RECs that are proposed for power generation – ones meant to guide us away from environmentally unfriendly fossil fuels.

While it may be possible to achieve 60 percent efficiency in burning wood chips solely for small combined heat and power projects in less than the 1 MW range, RECs are necessary to support larger scale electricity production which is inherently less efficient. Without recognizing this fact, the proposed standard will, in fact, harm legitimate biomass efforts in the Commonwealth. Recognizing the fine balance that the DOER must take in measuring the cost benefit of any standard it adopts, however, we respectfully request that the efficiency criteria be amended as follows:

• 1 REC per MWhr for a plant with monthly reported efficiency ≥20%
• 1.5 REC per MWhr for a plant with monthly reported efficiency > 50%

These more reasonable efficiency numbers will better meet the environmental balance that has been the benchmark of the DOER approach to RECs. In adopting this revised standard, DOER will be taking a proactive approach to RECs – holding generators accountable -- without setting limits that are counterproductive to the very renewable portfolio standard energy goals that DOER has set for the utility sector in the Commonwealth.

The Commonwealth is at an important crossroads for the development of energy production projects utilizing biomass. This is an issue that will not only have local and regional impacts, but, potentially, national implications. On behalf of the many men and women who have worked on the PRE project and the residents and businesses who will benefit from it in the future, I respectfully urge the DOER to implement a more reasonable efficiency standard – one that does not shut down this nascent industry.

I appreciate your consideration of this important matter. If you have any questions or concerns about our testimony or project, please do not hesitate to contact me.

Sincerely,

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