



**MEMORANDUM**  
**PUBLIC WORKS AND FACILITIES**  
**ENVIRONMENTAL ENGINEERING DIVISION**  
County of Placer

TO: Board of Supervisors

DATE: October 25, 2016

FROM: Ken Grehm, Director of Public Works and Facilities  
By: Brett Storey, Principal Management Analyst

SUBJECT: Environmental Engineering / Cabin Creek Biomass Facility Update

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**ACTION REQUESTED**

Receive an update on efforts to develop a biomass to energy facility at the Cabin Creek site.

**BACKGROUND**

Over the past several years, staff has pursued a public/private partnership to develop and build a two megawatt biomass to energy facility located at the County Cabin Creek site in the North Tahoe area. More than three million dollars in federal and state grants were obtained and have provided the majority of funding to date for this project. Staff has prepared and your Board has taken action to certify an Environmental Impact Report, preliminary facility design, a developer agreement, a facility lease, a biomass fuel sale and delivery agreement, a bio char purchase and sale agreement and a conditional use permit. In addition, the Placer County Air Pollution Control District approved an Authority to Construct permit for the project. All that remains to move forward with construction is to negotiate and sign a Power Purchase Agreement (PPA) with a utility provider.

For several years staff and the site developer (Phoenix Energy dba Tahoe Regional Power Company, or TRPC) negotiated with Liberty Utilities and at one time had a preliminary commitment for the required kilowatt hour (KWh) price. Recently, however, Liberty informed the County that Liberty would no longer pursue the energy from the project. Staff and TRPC also looked at the possibility of selling the project's energy to other entities and received similar responses, that the energy market is at historically low levels and no entities desire to purchase the energy at the price needed to fund the project.

Staff and TRPC have determined that the cost of the energy produced by the project must be reduced in order to find an entity willing to purchase the energy. This will likely result in the need for greater public investment. To that end, TRPC has sent a letter to the County (attached) requesting that the facility lease be terminated as per the lease agreement, with a request that TRPC and the County begin new negotiations on a potential relationship to build and operate the facility. Due to this lease cancellation request staff will also pursue the suspension of the annual property taxes for this site.

**DISCUSSION**

In addition to power market issues, the County and the entire state of California are dealing with a significant issue of tree mortality. The Governor declared an emergency condition on October 30, 2015 and your Board recently approved a plan to confront the issue. At present, staff is locating places to either take or store the tree material. Many of the largest users for this material, biomass to energy facilities, are closing down due to this historically low energy market. Secondly, this influx of material will likely make it more difficult for the County to find end uses for the typical annual green waste and wood waste material. If an economically sustainable biomass to energy facility could be developed, it could provide a renewable solution to deal with the short term tree mortality issue as well as longer term issues such as forest health and the typical waste streams.

Staff, working with TRPC, has run preliminary modeling and financial analyses to determine that with the potential shift from primarily private to public financing and the potential decrease in the cost of biomass for fuel at the facility, the price for the KWh could be reduced by more than 30 percent and make the project competitive in the energy market. This information will be presented to the Biomass/Wildfire Protection team at an upcoming meeting.

**ENVIRONMENTAL IMPACT**

This information update does not constitute a "Project" under CEQA. The Cabin Creek Biomass Facility Project EIR was certified by the Placer County Planning Commission on December 20, 2012. At a subsequent protest hearing on May 7, 2013 the Placer County Board of Supervisors denied the protest and certified the EIR including an addendum.

**FISCAL IMPACT**

Budget for staff labor is included in the FY 2016-17 approved budget.

**ATTACHMENTS**

September 26, 2016 Letter from Tahoe Regional Power Company



September 26, 2016

Mr. Brett Storey  
Placer County  
Biomass Program Manager  
17476 C Avenue  
Auburn, CA 95603

Dear Mr. Storey:

Further to our discussions regarding development of the Cabin Creek Biomass Gasification plant we are writing to confirm that, at this point, there does not appear to be a power purchase agreement forthcoming with Liberty Utilities.

At this point we agree with you that the best interests of the project are served by terminating the lease between the County and Tahoe Regional Power Company, such that we might enable the project to be completed with the County as the power purchaser.

We look forward to continuing to work with the County to make this happen.  
Please do not hesitate to contact me at 415.286.7822 if you have any further questions.

With best regards,

A handwritten signature in black ink, appearing to read "Gregory Stangl".

Gregory Stangl  
Managing Director  
Tahoe Regional Power Company, LLC

