

## Quick Hits

Hot off the press

### Wolverine files appeal

Wolverine Power Cooperative has filed suit to reverse the state's denial of an air quality permit for its proposed Rogers City power plant that would use biomass fuels with coal.

Wolverine filed a petition in Missaukee County Circuit Court Aug. 9 to reverse the Michigan Dept. of Natural Resources and Environment's decision and force it to reconsider the permit application for the 600-megawatt (MW) project. It also asks the court to void the governor's executive directive that forced applicants to consider renewable and other alternatives to building the project as part of the permit application.

The DNRE rejected the permit saying the power wasn't needed, the company failed to consider viable alternatives to building a new plant and the cost to ratepayers was too high.

Wolverine contends its draft permit granted in 2008 satisfies the law and believes new conditions were added after Gov. Jennifer Granholm issued her executive order.

### Edison buys biomass

Detroit Edison Co. has signed a 20-year agreement to purchase biomass power and renewable energy credits (RECs) from L'Anse Warden Electric in Marquette County.

The 18-MW facility came on line in October 2008. The deal includes RECs without power from 2009 and 2010.

## Michigan Biomass

*Cadillac Renewable Energy  
Genesee Power Station  
Grayling Generating Station  
Hillman Power Company  
Lincoln Power Station  
McBain Power Station*

# The Power of Wood

Information and updates affecting Michigan's biomass energy industry

### ◆ Bills enhance private forestland incentives

A series of bills have been introduced in the state legislature to enhance incentives for commercial timber management on private lands.

Senate bills 1400 and 1401, and House bills 6291 and 6292 increase the number of acres a private landowner can enroll in the Qualified Forest Property Recapture Tax Act from 320 to 640 acres, reduces penalties for withdrawal, deadlines the Dept. of Natural Resources and Environment in approving or rejecting an application, and puts more decision-making authority into the hands of the Dept. of Treasury.

One of the bill's principal sponsors, Rep. Darwin Booher, Dist. 102 (R-Evart) believes the legislation will encourage more private landowners to sustainably manage their timber for commercial use, putting more wood fiber into the marketplace.

### ◆ Study looks at biomass carbon

A study commissioned by the Commonwealth of Massachusetts concluded that measuring the impact of atmospheric carbon produced by biomass energy facilities is complicated, and that electricity production from waste wood is beneficial.

Convention holds that carbon dioxide emissions, a principal contributor to climate change, from biomass sources is carbon neutral; it's emissions are part of the natural cycle between the atmosphere and plants that absorb carbon dioxide as they grow. Therefore biomass carbon has zero impact on climate change and is "carbon neutral."

The study from the Manomet Center for Conservation Science says accounting carbon from biomass energy is not that simple because the carbon is released in a shorter time frame than plants are able to reabsorb it, bringing into play such factors as the source of the biomass — whether it's harvested specifically for energy or is a by-product of other commercial or forest activities — land use, species, forest management practices, and the efficiency of the energy facility. The good news is power produced from forest residues and mill wastes has net carbon benefit.

The study created a firestorm of media attention when the results were mischaracterized and groups opposed to the advancement of biomass energy took information out of context to further their agenda.

The study can be viewed or obtained through the Manomet website at [www.manomet.org](http://www.manomet.org).

### ◆ Status changes on biomass energy projects

Plans for three biomass energy facilities were cancelled or tabled this summer while two others move forward.

Traverse City Light & Power announced it would back-burner plans for up to 30 MWs of power from biomass gasifications plants, while construction on a cellulosic ethanol plant and a wood-fired power plant have been delayed.

TCL&P shelved it's biomass plans after intense public resistance and other uncertainties. The municipal utility is instead looking at expanded natural gas generation.

Media reports this summer indicated that financing delays had put off construction on the Frontier Renewable ethanol plant in Kinross by about 12 months, while the Michigan legislature has passed an amendment to extend a tax credit for the proposed 36-MW Mancelona Renewable Resources wood-fired power plant in Mancelona because it couldn't meet the 2010 construction start previously required.

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Michigan Biomass is an advocate for and supported by the state's PURPA wood-fired power plants. Visit [www.michiganbiomass.com](http://www.michiganbiomass.com) for more information.

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In May Wolverine Power Cooperative’s proposed Rogers City biomass-coal power plant was delayed when the DNRE denied it’s permit. The Lansing Board of Water & Light also shelved plans for a biomass-coal power plant.

Traxys Energy continues to develop plans to convert three coal-fired power plants to biomass. Those facilities are in White Pine, Gwinn and Escanaba totalling 95 MW of installed biomass capacity.

This summer the City of Escanaba entered a tentative agreement to sell its power plant to Traxys. The \$4.1 million deal is expected to close in November.

◆ *MPSC takes comments on RPS*

The Michigan Public Service Commission (PSC) in July accepted comments on proposed rules for the Clean, Renewable and Efficient Energy Act.

Public Act 295 of 2008, which requires certain utilities obtain 10% of their energy supply from renewable sources by 2015, stipulates that the PSC establish rules to administer the program.

The rules address renewable energy plans filed by compliant utilities, annual reports, rate reconciliations and cost recovery. There are also rules governing contracts, competitive bidding processes, transactions and accounting of renewable energy credits and the renewable “capacity” portfolio that requires certain utilities build 1100 MW of new renewable generation.

Other rules target the energy efficiency requirements of the program, such as plan submission, financial incentives, reports, cost recovery and funding for low income assistance.

◆ *Biomass gains steam*

Scalability and the potential for dual revenue streams has biomass energy development getting serious attention for global mergers and acquisitions.

*Powering Ahead 2010: An Outlook for Renewable Energy M&A*, published in May by KPMG, calls biomass energy “the new wind.”

“Perhaps the most surprising finding is that survey respondents are now seeing biomass as a serious contender for investment alongside solar and wind. While biomass lags behind wind and solar in terms of maturity, there are certainly attractive factors in its favor – not least its potential to generate greater returns than wind,” said KPMG Partner Andy Cox.

That potential higher return comes from biomass’ scalability — including utility scale electricity generation — and heat and steam sales.

The majority of the report survey respondents were corporations in North America and Western Europe. Respondents recognize the inherent advantage of supporting baseload power sources. Unlike solar and wind, which are intermittent technologies, the on-demand nature of biomass electricity improves its investment value.

Large utilities are showing the most interest in biomass projects, the report says, particularly because of its baseload capability.

**Commentary: Slow going in Michigan**

Biomass news from around the country and the world is encouraging. A KPMG study says interest in biomass energy has surged over the past two years with more companies looking at biomass acquisitions or mergers than wind or solar.

That’s great news. But looking around Michigan, those prospects aren’t so rosy. When the Clean, Renewable and Efficient Energy Act was passed in 2008 a dozen biomass energy projects were being discussed, announced or permitted, representing a 300% increase in potential biomass energy output. None have broken ground.

Since January two Michigan biomass energy projects have been shelved, two others are running into significant delays and a third was denied an operating permit that can only be attributed to convoluted and conflicting state policy.

It’s a shame, really. Michigan has the seventh-best forest resources in the nation, and agriculture — which has significant energy potential — is the state’s number-two economic force. We should be uniquely positioned to be a leader in this emerging sector. So why aren’t we?

It turns out biomass energy is complicated; a balancing act of economics, environmental benefit, the resource itself and its multiple uses.

Biomass can carry a lot of freight in the growth of renewable energy, and done properly can make significant contributions to jobs, local economies, the health of Michigan’s forests and net benefit to climate change.

Difficult is not impossible. It just means cooperating to overcome hurdles and pooling resources. We can do that.

*Energy subsidies & support / unit of production*

Type	\$/MWh	Type	\$/MWh
Solar	\$24.34	Biomass	\$0.89
Wind	23.37	Hydroelectric	0.67
Nuclear	1.59	Coal	0.44
Landfill gas	1.37	Natural gas	0.25
Geothermal	0.92	Municipal solid waste	0.13

Source: National Conference of State Legislators

