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ARIZONA CORPORATION COMMISSION
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November 18, 2019

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: E-00000Q-17-0138: Commissioner Dunn's Inquiry into the Role of Forest Bioenergy in Arizona.

My Fellow Commissioners:

The past two weeks have once again brought a terrible reminder of the devastation the Western United States faces from the threat of wildfires. Millions of Californians were threatened not only by the fires themselves, but also from the lack of power as local utilities decided to cut service to avoid risking the outbreak of further fires.

There is a very real connection between power companies and forest fires. According to the Wall Street Journal, Pacific Gas & Electric (PG&E) in California was responsible for over 1,500 fires in three years.¹ In the most recent fires, the response by PG&E, San Diego Gas & Electric, and other power providers was to shut off power to more than 2 million residents.²

Earlier this week, Peter Aleshire at the White Mountain Independent wrote an article titled "California is Burning. Are We Next?"³ He highlights the perilous state of our forests and points out that 66 percent of our power lines go through areas that are at high risk for catastrophic wildfires. If we maintain the status quo, he argues, that number will increase to 74 percent. While Arizona's utilities have done better than their Western neighbors at thinning vegetation and clearing land around their utility infrastructure, there is always some level of threat.

Historically dry conditions and high sustained winds paired with decades of failed forest management have converted California into a deadly tinder box. Unfortunately, deadly fires now seem to be an annual occurrence. Arizona faces the same threat each summer and although the Phoenix and Tucson metro areas may not face the direct threat of fires, many power plants that feed those cities are found in areas prone to wildfire. Were there to be a disruption at those plants, the whole state may be at risk for power outages. As we have seen, loss of power during our hot summer months can be fatal, even under the best of conditions. Seeing millions of residents in Arizona caught without power during a wildfire in July, however, would be unimaginable.

Recognizing the threat, the Commission adopted a policy that found "60 MW of biomass energy, developed through forest waste, is appropriate for regulated entities to pursue."⁴ As a result, Arizona Public Service (APS) approached the Commission, offering to submit an application to convert a coal generating unit at the company's Cholla plant near Holbrook to a unit that would utilize forest biomass. Such a conversion would have offered the state an option for clearing additional biomass waste that contributes to the threat of catastrophic wildfires.

¹ See [PG&E Sparked at Least 1,500 California Fires. Now the Utility Faces Collapse](#), THE WALL STREET JOURNAL (Jan. 13, 2019).

² See [Almost 2 million Californians could be without power through Thursday in shutdown to reduce wildfire risk](#), USA TODAY (Oct. 9, 2019); [More than 2 million people expected to lose power in PG&E blackout as California wildfires rage](#), CNBC (Oct. 26, 2019).

³ See [California is burning. Are we next?](#), WHITE MOUNTAIN INDEPENDENT (Nov. 1, 2019).

⁴ [Arizona Corporation Commission Policy Statement Regarding the Role of Forest Bio energy in Arizona](#), Decision No. 77045 (Jan. 16, 2019).



Unfortunately, by a 3-2 vote the Commission refused to direct APS to file the application and begin pursuing a course of action towards plant conversion. This decision has left Arizona vulnerable to terrible fires like those recently raging in California, or those that have devastated our state in the past.

I applaud APS for its efforts in listening to the will of the Commission and proposing a viable solution to address this issue. I was in support of having APS begin the exploration of a Cholla conversion, and I feel even more strongly now that we should act to make this conversion a reality.

I do not know how my fellow commissioners feel today on this issue, but I pen this letter to make one more plea for action. Perhaps the sight of our neighbors and friends in California being forced from their homes, finding themselves without power for days on end, and bearing the very real economic, environmental, and safety costs of this disaster may prompt our reconsideration.

In the past, Arizona has experienced firsthand the economic impacts of major fires. The Rodeo-Chediski Fire in Northern Arizona, for instance, burned over 450,000 acres, and estimates put the economic costs at over \$500 million dollars. Over 400 homes, businesses, and properties were lost, and environmental rehabilitation totaled over \$100 million. In addition, job losses in rural Arizona and tribal communities were acute, with many jobs in the timber industry lost for decades.

Because of the fires throughout California over the last few fire seasons, insurance providers across the state are now sending notices to residents in fire prone areas, stating that they will not have their policies renewed in the future. State figures in the Golden State show that in 2017 and 2018, fires in California resulted in more than 124,000 claims totaling \$26 billion in losses.⁵

The loss of insurance coverage is another cause for economic concern, as such changes in policy will have far reaching impacts for residents and municipalities statewide. California Insurance Commissioner Ricardo Lara went so far as to say, "I have heard from many local communities about how not being able to obtain insurance can create a domino effect for the local economy, affecting home sales and property taxes. This data should be a wake-up call for state and local policymakers that without action to reduce the risk from extreme wildfires and preserve the insurance market we could see communities unraveling."⁶ While this Commission does not directly regulate insurance markets, we do have a chance to reduce risk from wildfires by diversifying our renewable energy mix to include more biomass. As our biomass policy states, diversification with biomass will "increase grid reliability" and "produce multiple positive externalities," including "the reduction in the frequency and intensity of wildfires."⁷

Recently, the U.S. Forest Service has partnered with the Bureau of Reclamation, the Arizona Commerce Authority, Arizona Department of Forestry, Salt River Project, and other private organizations to issue one of the largest Request for Proposals (RFP) in U.S. history to attract forest products business to the state and aid in forest management. Bids for bringing these investments to Arizona are being accepted under this RFP until February.

At the Commission's Open Meeting in July, where the APS proposal was denied, it seemed to be the position of my fellow commissioners that we should just wait for the conclusion of the RFP process and hope that solutions to deal with biomass waste will be a part of the proposal set. I believe that position is a mistake.

⁵ See [Californians living in wildfire-prone areas losing homeowners insurance following historic blazes](#), THE SAN DIEGO UNION-TRIBUNE (Jul. 22, 2019)

⁶ See [Insurance firms drop Berkeley Hills homeowners, citing wildfire risk](#), BERKELEYSIDE (Sep. 9, 2019)

⁷ [Arizona Corporation Commission Policy Statement Regarding the Role of Forest Bio energy in Arizona](#), Decision No. 77045 (Jan. 16, 2019).



While the Commission's adoption of a general policy towards biomass signaled to industry that we were ready to address this issue in Arizona, our recent failure to adopt APS's proposal to evaluate a Cholla conversion has 'muddied the water' so to speak and may leave RFP participants questioning whether the Commission is committed to its policy. Jeremy Kruger, Chief Executive of the Four Forest Restoration Initiative (4FRI), has said, "We have a biomass bottleneck. Viable biomass utilization is currently the biggest obstacle to accelerating the pace of mechanical forest restoration treatments."⁸

Earlier this month I spoke with USDA Forest Service Regional Forester for Arizona Cal Joyner and he helped me understand just how important our clear action on this issue can be for the RFP process. "The most difficult challenge for industry proponents to the 4FRI RFP, is meeting the requirement to remove the great majority of the biomass left over after timber stand thinning operations," Joyner said. "Any action of the Commission to create a demand for that biomass as a fuel for bio-energy production, would both help existing industry and could likely ensure an array of well-capitalized proposals to the RFP, and remove one of the chief impediments to dramatically accelerating the pace of forest restoration."

Were we to reconsider our position on the Cholla conversion and send a clear signal to industry partners, an additional offtake option for biomass waste in Arizona forests will be available, and the Forest Service will receive more viable bids, which will lead to greater economic benefit for Arizona's rural and tribal communities and lower costs for Arizona ratepayers, including in insurance premiums and carbon reduction.

Environmentally, wildfires are a plague to Arizona. Beyond the immediate danger to wildlife and habitat, there are massive impacts to watersheds and natural resources of all kinds. Worst of all may be the climate impact realized from the substantial release of carbon dioxide into the atmosphere.

To put the emissions threat into perspective, wildfires in California from 2013 to 2015 released nearly 70 million metric tons of CO₂ into the atmosphere.⁹ Yet, during the same timeframe, California spent billions of dollars to cut emissions from its economy and reduce emissions by only about 20 million metric tons. According to the U.S. Department of the Interior, the 2018 California wildfire season alone released as much carbon dioxide into the atmosphere as an entire year's worth of electricity.¹⁰ If these fires are allowed to continue in Arizona, then any emissions reductions we achieve from past and future investments in renewables and clean energy will be effectively worthless. These ratepayer investments will literally go up in smoke.¹¹

For Arizona, APS has offered to convert a CO₂ intensive coal-fired unit into a unit powered by clean, renewable biomass. This conversion would result in a biomass generating capacity large enough to satisfy the proportionate share of 60 MWs required of all affected Arizona utilities and co-ops under the existing biomass policy. By utilizing biomass at a converted power plant, we can eliminate over 95 percent of particulate matter emissions versus our existing process using 'pile and burn' strategies. Not only will we reduce emissions at the Cholla plant by moving away from coal, but we can experience the added benefit of avoiding emissions released by massive fires as well.

In addition to the environmental benefits from avoiding harmful emissions, protection of our states watershed and water resources is critical. Cal Joyner also told me that action by the Commission to promote solutions for Arizona's biomass problem would be "key to the provision of secure infrastructure and clean water for our desert cities." As I was reminded last month while participating in the SRP watershed tour, the protection of these resources is not only for the benefit for rural mountain areas. In fact, most of the water supplying mountain towns

⁸ [U.S. Forest Service announces massive RFP to clear out Arizona forests](#), CHAMBER BUSINESS NEWS (Jul. 29, 2019).

⁹ See [Huge wildfires can wipe out California's greenhouse gas gains](#), SAN FRANCISCO CHRONICAL (Nov. 22, 2017).

¹⁰ See [2018 California Wildfires Emitted as Much Carbon Dioxide as an Entire Year's Worth of Electricity](#), U.S. DEPT OF THE INTERIOR (Nov. 30, 2019).

¹¹ See [California's Battle Against Climate Change Is Going Up in Smoke](#), CITYLAB.COM (Dec. 11, 2018).



in Arizona comes from groundwater and aquifer supplies. Virtually all snow and rain that falls in Arizona's high country feeds the watershed that provides water for the state's metropolitan areas.

Finally, fires are a safety issue. Homes, land, and lives are at stake. We saw this tragedy first hand when 19 brave first responders lost their lives in the Yarnell Fire. Obviously, we cannot avoid every disaster, and I agree with my colleagues that this issue is not the sole responsibility of the Commission. An ideal solution would be a comprehensive effort from the federal government, Arizona Legislature, Governor's Office, counties and municipalities, private industry, and other stakeholders. But we cannot compel action from these groups, and refusing to embrace the solutions we have before us only threatens this state further. I feel that we simply cannot afford to wait any longer.

I am asking my fellow commissioners to take another look at the realities we face. Yes, there will be costs involved, and no—this solution may not be perfect. But, if we adopt policies that avoid even one catastrophic wildfire on the scale of the Rodeo-Chedeski or Wallow fires that this state has seen recently, our efforts will not only be of "little to no cost," as our biomass policy encourages, but will in fact save our residents millions of dollars in addition to the pain and suffering our communities will experience.

This Commission exercising its unique constitutional authority to show leadership on behalf of the Arizona public and avoid potential disaster is both good and right. We can do our part as a Commission to protect our forests, our water resources, and our people. I also believe that if we show the moral courage to act, others will join. Never before has this state had such an opportunity to address this issue. I hope we will not let it slip through our fingers.

Accordingly, I'm asking Chairman Burns to place an item on the December Open Meeting for discussion of how effected utilities are expected to comply with the Commission policy on biomass, and also to notice a potential vote on the reconsideration of the Commission requirement to have APS file an application for the Cholla plant conversion. Admittedly, this discussion may be short if none of my fellow commissioners wish to reconsider their position. I understand this, but after seeing the very real threat we face once again knocking at our door, I would like to hear if there is the will of the Commission to reconsider taking action on this issue. Thank you.

Sincerely,

A handwritten signature in blue ink that reads "Lea Márquez Peterson".

Lea Márquez Peterson
Commissioner

