



National Alliance of Forest Owners
Investing in the Future of America's Forests

October 6, 2010

Via facsimile

DOCKET NO. R-28271, SUBDOCKET B

Ms. Melanie Verzwylt, Staff Attorney
Louisiana Public Service Commission
P. O. Box 91154
Baton Rouge, LA 70821-9154

Re: National Alliance of Forest Owners' Limited Comments in Response to Louisiana Public Service Commission's Request for Limited Comments on the Definition of Woody Biomass Suggested by Commissioner Field

Dear Sir or Madam:

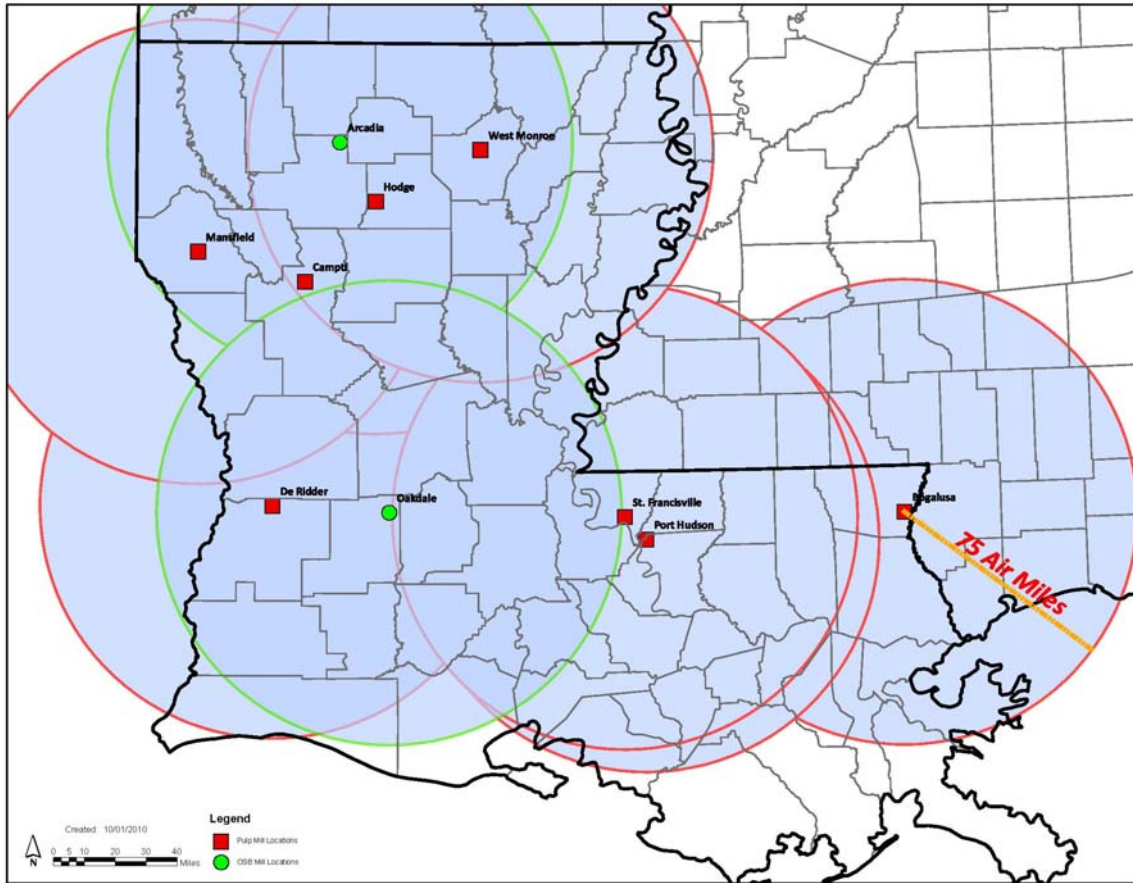
The National Alliance of Forest Owners ("NAFO") welcomes the opportunity to submit the following limited comments in response to the Louisiana Public Service Commission's request for limited comments on the definition of woody biomass suggested by Commissioner Field.

For the reasons stated in its comments of September 20, NAFO strongly supports Commissioner Field's suggestion of "Placing no restrictions on the types of woody biomass eligible to be used as fuel in electricity generation." As NAFO noted, a restrictive definition would leave landowners with increasing stocks, diminished supply, and no alternative market for their product, while at the same time undercutting the renewable energy goals of Louisiana and the United States. As Commissioner Field persuasively stated:

the REPP should provide us with answers to the many questions that we have about renewable energy in Louisiana, including whether an expansive definition of woody biomass would, in fact, lead to economic hardship for Louisiana's important forest products and specialty chemical industries if a RPS were implemented. However, if we restrict the definition of woody biomass in the REPP, we will never know the true answer to this important question.

On the other hand, NAFO strongly opposes Commissioner Field's suggestion that, at the same time, new restrictions be placed on the use of pulpwood, wood chips, and saw timber. Landowners and Louisiana's renewable energy pilot program would be severely harmed by the proposed restriction of this wood "used as fuel by generators selling electricity under the REPP to no more than 15% of the amount of tons of Merchantable Wood delivered, in 2009, to any Major Forest Products Manufacturer located within 75 miles (as the crow flies) of the generator."

As the map below demonstrates, nearly all of Louisiana is within 75 miles of a mill.



Thus, the proposed definition would effectively place a total cap on biomass consumption at 15% of merchantable wood, without any geographical limitation.

The proposed 15% cap relies on the theory that the pulpwood harvest fell by 15% over the years 2006 to 2009. But as noted in NAFO's September 20 comments, and shown in the table below, demand for wood from pulp facilities has fallen from nearly 18 million green tons to just over 12 million tons during the years 2004 to 2009. Thus, demand has fallen 50% rather than 15%, making the 15% cap inappropriate even under its own theory. And the 2009 numbers understate the actual decline in demand because the International Paper mill in Pineville was closed in 2009, further decreasing demand for wood.

<i>Louisiana Pulpwood Harvest</i>	2004	2005	2006	2007	2008	2009
Total Softwood	13,295,088	13,257,762	11,639,326	10,020,889	10,094,683	9,375,802
Total Hardwood	4,533,465	4,229,056	3,893,916	3,558,776	3,449,252	2,872,805
Total Pulpwood	17,828,553	17,486,818	15,533,241	13,579,665	13,543,935	12,248,607

The proposed cap would undercut the entire purpose of the pilot program by picking winners in the renewable energy market instead of allowing all sources to compete on an even basis. In this respect, it would operate just like the total ban, and

thus, as Commissioner Field noted, frustrate the entire purpose of Louisiana's renewable energy pilot program so that we would "never know the true answer to [the] important question" of what renewable energy sources are appropriate for Louisiana. At the same time, the cap would choke an emerging market for landowners faced with excess supply and decreased demand, potentially pushing landowners away from forestry to other land uses.

Furthermore, there is no need for such a policy, because, as demonstrated, pulp and paper companies are demanding less and less wood from landowners while national forest stock continues to increase. In the nation's commercial forests, growth exceeds harvest by over 50%. Accumulated biomass can be a forest health issue and represents a biomass availability opportunity. Markets for forest thinnings are essential in order to manage healthy and productive forests.

Finally, use of biomass will not displace higher value wood products. The economics of forestry favors the production of the highest value saw logs and peeler logs first, higher value pulp logs second and biomass, third. Because biomass is the lowest value product in the forest "value chain," forest owners will not displace higher value products in the long term to supply low value biomass in the short term. Instead, market history shows that biomass supply will increase as market demand for biomass increases. Forest owners will respond to growing and more stable markets with increased investments in forest management practices that maintain sustainable production.

Thank you for this opportunity to provide our views in these important proceedings. NAFO's mission is to protect and enhance the economic and environmental values of private forests through targeted policy advocacy. Incorporated in March 2008, NAFO's members now represent 75 million acres of private forests in 47 states.

Sincerely,

A handwritten signature in black ink, appearing to read "David P. Tenny", written in a cursive style.

David P. Tenny
President and Chief Executive Officer

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Docket No. R-28271 Subdocket B

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