

Agenda Item Number 11.c

Bio Fuels Project

Presenter: Milo Mecham

Action Recommended: None. Information Only

Background:

This project opportunity was presented to the Executive Committee. The executive committee was supportive and approved LCOG going forward with the project, but because of the size of the project, and because it is a part of a larger series of projects that involve members Junction City and Lane County, the Executive Committee wanted staff to brief the full Board.

LCOG staff have been working closely with Lane County on the development of plans for bio-energy facilities in the Willamette Valley. The project started with direction from the County Commissioners to investigate alternative uses for grass straw, based on a desire to find an economical alternative to field burning. Feasibility studies indicated that there was significant energy potential in the straw. The studies also indicated that the most economically viable means to extract the energy potential would be to combine the grass straw with food waste to produce methane, which could then be burned for electricity.

LCOG has a contract with the Oregon Department of Agriculture to develop a business plan for three sites for these bio-energy sites in the Willamette Valley. The plan is to space the sites up the Valley, reducing the trucking for the grass straw and locating a reasonable distance from the urban sources of food waste. The business plan is nearing completion. It indicates that the cost of such a facility is approximately \$25 million. The business plan also has come to the preliminary conclusion that the first such plant will be most likely to succeed if there is an initial public investment to acquire the property and get some of the permits necessary for operation. This initial ground work should open the way for private investment to complete the project.

Among the group working on the project (LCOG; Lane County; the Institute for a Sustainable Environment (affiliated with the U of O); and Novus Group (a local venture firm)) the intent has been to develop the first site in Junction City. Consistent with these plans, Lane County applied for State Energy Program (SEP) stimulus funds to start the

project. Two recent events have created a need to change plans. First, Junction City has run into some problems with its wetlands mitigation plans. This means that the project in Junction City cannot start for perhaps six months. Second, the state has given a preliminary indication that they are prepared to award SEP funds, but only if a site can be identified where construction can begin before the end of February 2010.

Lane County submitted an application for SEP funds for the Junction City site, and it was selected as one of the Governor's signature projects. Discussions with the review team suggests that we can modify the application by changing the site to Canby and by changing the applicant from Lane County to LCOG. The amount of the award will depend on the SEP process. If the award is adequate, it would be used to acquire property in Canby. The plan at this point is to lease the property to a private entity that would work on obtaining the required permits and marketing the property to a large capital investor who could then take the work done and make the investment to complete the project. This would probably involve the purchase of the property. LCOG could then take that property sale amount and reinvest it in the Junction City project, or a similar energy project closer to LCOG's normal base of operations. The most likely alternative would probably be a long term land lease, which could also lead to revenues that could be invested in local projects.

The team has had several discussions with Oregon Metro, the regional government in the area of Canby, and with the City of Canby itself. Both are supportive of LCOG proceeding with the biofuels facility. A letter from Metro is attached along with a description of the project.