



November 9, 2009

To: LCOG Executive Committee

From: Milo Mecham

Subject: Biofuels Project

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 in the next two weeks.

These events have caused a change in plans. While we do not intend to abandon the Junction City site, a delay will mean the loss of the SEP funds. The group has identified two potential sites: one in Canby and a second in Salem. These sites are shovel ready, which is apparently one of the requirements of the state to give out the SEP funds. There are other sites in these vicinities that might work as well, but are not “shovel ready.”

The site selected will depend on the SEP requirements, price, and readiness to proceed.

Lane County cannot apply for SEP funds for a project outside Lane County. There is not time to bring in another public entity and get them up to speed on the project. LCOG can be an applicant. The application would be for approximately \$1 million. No matching funds would be required. Perhaps the greatest risk to LCOG is that the agency would be left owning or leasing a parcel of property in the Canby industrial park or the Salem industrial park, but the project fell through because other investments could not be arranged to build the facility.

As a part of the development of the business plan, the team has had discussions with the city of Salem, with the City of Canby, and with Metro, who would have to regulate any site that takes food waste from the Portland area. They are all supportive of the project. There has not been time to get an official statement from any of them since the change in circumstances led to the need for immediate LCOG action.

Because of the size of the issue, and because it involves the possible purchase of property so far outside the general realm of LCOG efforts, we wanted to inform the Executive Committee of the prospects, and, if the Committee wishes to do so, get from the Committee approval of moving forward.