



**WASHINGTON
HARDWOODS
COMMISSION**

COMMISSION MEETING MINUTES

December 17, 2010

Teleconference

Next Meetings: *March 9, 2010*
Natural Resources Bldg #432
Olympia, Washington

Commissioners Present:

Brian Stanton, Chairman
Del Fisher
Tom Fox
Tim Halme
Erik Metcalf
Steve Witherspoon

Commissioners Absent:

Jeff Madsen, Vice Chairman

Attendees:

Jed Herman, Diann Lewallen, Yolanda Wilson, and Dave Sweitzer.

The meeting was called to order by Chairman Brian Stanton at 8:00 a.m. Introductions were made and the Commission was reminded of the legal limitations of the anti-trust laws in Commission meetings.

It was MSP to approve the minutes of the September 1, 2010 meeting as mailed.

FINANCE REPORT

Lewallen presented the financial report dated November 30, 2010 showing cash and CD's of \$18,697.64 with no accounts payable. The cash flow spreadsheet shows a projected estimated reserve and estimated available reserve of \$19,799.23, through June, 2011. (copy enclosed) There are a few who have not sent in processor reports for the 3rd quarter and one who has not reported since the first of the year. The office will contact each and a letter will go out to the one seriously past due indicating that the account will be turned over to the attorney general for action if it is not resolved quickly. It was MSP to approve the financial report.

SUBCOMMITTEE REPORTS

PLANTATION MANAGEMENT - Fisher

ORGANON model was completed by Dave Hann and is now out for testing with several private companies and public agencies. If all goes well model could be released in Q1; expect demo at annual meeting.

HSC winter meeting scheduled for Jan 18 in Longview area; looking for workers to thin, prune and measure plots.

RESOURCE VALUES – Madsen

Objectives for 2010:

- Update to 2002 Washington State hardwood inventory (westside)
- Canvass producers on their perceived value of the Commission and its work
- Provide input to Forest Practices Board, Puget Sound Partnership, etc. regarding the ecological values of hardwood management

No news to report on funding for a new western Washington hardwood inventory. I did get a “beta” copy of the new Organon red alder model and I’m testing it for David Hann. Once the beta testing is over it will be released to the public.

Objective 2 was completed earlier this spring.

Objective 3 was partially covered in a presentation to the Senate-House Natural Resources Committee last December.

EDUCATION – Metcalf

New brochure will be distributed in bulk to processors, small landowners, industrial landowners, forestry consultants, and extension specialists. We will be represented at the Oregon/Washington Society of American Foresters (SAF) in Portland, May, 2011.

GOVERNMENT AFFAIRS – Fox

The Washington Hardwood Commission (WHC) was created by the State Legislature in 1991 to, in part, ensure the sustained management of Washington’s Alder and other hardwood species using practices based on sound forest science. A key component of the Commission’s work is to stay informed of pertinent legislation as well as to provide information to legislators working in the area of hardwood-forest rules and regulations.

One of the main purposes of the government affairs sub-committee is to promote an awareness of the WHC as an advocate of the State’s stakeholders in effective hardwood management and to be a source of expert advice to the Legislature.

I have received no requests from any Legislators for assistance or comments on any pending or proposed legislation.

During the 2009-2010 Washington State legislative sessions there were 11 forestry related bills out of the 960 + bills that were passed. After reviewing all 960+ bills and sorting out the forestry related bills I have listed them below with a short description of their subject matter.

HB-1063 made the Salmon recovery board a permanent board, SHB -1038 tightened up the requirements on transportation of Special Forest products (salal, ferns, Christmas trees ect.), HB-2667 improves communications during a forest fire, HB-2659- establish guidelines and

required documentation for reporting timber purchases to DOR, HB-2503 updates terminology of the members to be on the board of natural resources, HB-2481 Enables the department of natural resources to encourage biomass energy development on state trust lands and authorizes the department to sell and enter into supply agreements for forest biomass, HB-2165 authorizes the department of natural resources to develop and implement forest biomass energy demonstration projects, one east of the crest of the Cascade mountains and one west of the crest of the Cascade mountains, SB- 6481 clarifies and amends the definition of counties that have jurisdiction over forest practices as counties with a population of one hundred thousand or more, SB-5724 authorizes a county legislative authority to construct, purchase, or acquire a facility to generate electricity from biomass energy that is a renewable resource; and regulate the use, distribution, sale, and price of the electricity produced, SB-5562 protects the ability of forest landowners to continue active forestry operations by providing that growing trees that have been established prior to any surrounding non-forestry activities are vested for the purposes of the forest practices act, SB-5401 requires the forest practices board to establish by rule a program for the acquisition of riparian open space and habitat of federally listed species on private forest lands.

The Forest Practice Board is currently in rule making on SB-5401.

If you are interested in looking up a bill of interest you can go to the Washington Votes web site at <http://www.washingtonvotes.org/Legislation.aspx?ID=74600>.

The 2009-2010 Washington State legislatures 2nd special session adjourned on Dec 11, 2010 to deal with the states massive budget deficit.

The 2011 regular session is set to begin on Jan 10, 2011. I do know that Washington Farm Forestry Association will be introducing a low effect harvest bill for Small Forest Land Owners. WFPA has been working on a Washington Wood First bill. There is a re-write of the Forest Riparian Easement Program (FREP) legislation that is in the works. Also Representative Orcutt will be introducing a 5-year Forest Practice Application bill. None of these bills have been dropped yet so detail's on these bills is scarce. Due to the budget deficit any bill that carry's a fiscal note is almost certain to be killed.

The 2010 Federal legislative session didn't have any significant forestry related bills.

The December 2010 Federal lame duck legislative session has addressed a reduction in the estate tax as a add on to the current tax extension deal. As of the time this report was written that tax extension bill has not been passed yet.

MARKETS – Witherspoon

BCAP

The Biomass Crop Assistance Program final rule has been released. Background information and formal rules and regulations can be found on the United States Department of Agriculture's Farm Service Agency website.

<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=ener&topic=bcap>

These are some highlights from the final rule, which were obtained from the website.

Expenditures

During the Notice of Funding Availability period, \$250 million was expended during roughly one quarter year of BCAP matching payments. Refinements to the BCAP final rule has the BCAP cost-benefit analysis estimating that total expenditures over 15 years will be \$461 million.

Blue, White and Green-Collar Job Creation

The Record of Decision on the BCAP Environmental Impact Statement estimates the total impact from implementation to be an estimated \$88.5 billion in economic activity.

New Energy Crop Feedstocks

BCAP will reduce the financial risk for producers who support emerging biofuels markets - crops including, but not limited to switchgrass, miscanthus, fast-growing woody poplar, jatropha, algae, energy cane, and pongamia.

Enhanced stewardship and conservation measures

Biomass must be certified to have been collected and harvested only with an approved conservation, forest stewardship, or similar plan to protect soil and water quality and preserve land productivity into the future.

Harvesting must occur with an approved harvest plan.

BCAP project areas cannot occur on native sod.

All crop collection, harvesting and transportation must be in strict accordance with invasive plant species protections.

Protects existing markets

Eligible materials may not qualify for matching payments for BCAP purposes if USDA determines that in those distinct localities that the materials are used for pre-existing markets.

Provides feedstock neutrality

The eligibility of both woody and herbaceous biomass for energy purposes is fully maintained, and the objectives of heat, power, biofuels and bio-based products all remain supported by BCAP, as required by statute.

Kick-starts liquid cellulosic biofuels to meet Renewable Fuel Standard targets

Provides bonus incentives for the cultivation of cellulosic biofuels that have 60 percent lower lifecycle greenhouse gas emissions.

Ensures additional production

Promotes the cultivation of new biomass for new purposes.

Doesn't penalize existing users of biomass for heat and power.

Disallows windfalls or undue financial gains for producers seeking payment for using their own waste products in existing conversion practices.

Two year eligibility

Prior (NOFA period) participants are not penalized. Previous participation counts against the "clock", but clock stopped between the last matching payment received under the NOFA and the next matching payment received after the final rule.

Matching payments for eligible materials.

Provides for matching payments to eligible material owners at a rate of \$1 for each \$1 per dry ton paid by a qualified biomass conversion facility, in an amount up to \$45 per dry ton. An eligible material owner may be a producer of an eligible crop or a person or entity with the legal right to collect or harvest eligible material. By law matching payments may be made to eligible material owners for a maximum of two years.

Eligible materials remain the same; qualification for matching payments is based upon the sequence of collection, harvest, storage, transportation and delivery.

To qualify for matching payment, eligible materials must be collected or harvested directly from the land, before transport and delivery. Materials cannot be "collected or harvested" after transport and delivery, nor "collected or harvested" by separating from of a higher value material in order to be used for heat, power, bio-based products or biofuels.

Woody eligible material collected or harvested must come directly from the land and if outside BCAP project areas must be a byproduct of preventive treatments that are removed to reduce hazardous fuels, to reduce or contain disease or insect infestation, or to restore ecosystem health.

All eligible material must be harvested in accordance with an approved conservation, forest stewardship, or equivalent plan.

Establishment payments

Producers can get up to 75 percent of the costs of establishing a perennial crop. This does not include equipment. Annual crops are not eligible. (Annual crops, however, are eligible for annual payments.)

Annual payments

Biomass producers in BCAP project areas can receive annual payments up to 5 years for herbaceous biomass (annual and perennial) and up to 15 years for woody biomass (annual and perennial).

Reduced upon sale of the crop by:

1% if biomass sold for cellulosic biofuels defined by RFS regulation as having 60 percent lower lifecycle greenhouse gas emissions

10% if biomass sold for advanced biofuels

25% if biomass sold for heat, power or biobased products

100% if biomass sold for anything other than heat, power, biofuels or biobased products.

Requirements on Arm's Length Transactions / Related Party Transactions

Replaced with a requirement that eligible material must be purchased at fair market prices regardless of the relationship between buyer and seller. This provision allows BCAP participation for startup and other vertically integrated operations, but prevents efforts to defeat the purpose of BCAP by inflating biomass prices to gain higher matching payments.

Oregon Biomass Producer or Collector Tax Credits

The State of Oregon offers tax credits for the collection or production of biomass that is used for energy production.

To be eligible for this credit, an applicant must be an agricultural producer or biomass collector and the biomass material must be sourced from within Oregon. In addition, the biomass must be used as biofuel or to produce biofuel in Oregon.

The new Biomass Producer or Collector Tax Credit Administrative Rules can be found on the Oregon Department of Energy website.

<http://www.oregon.gov/ENERGY/RENEW/Biomass/TaxCdt.shtml>

NW Pellet Mills

Atlas Pellets in Shelton, Washington is no longer operating.

RESEARCH AND GRANT FUNDED PROGRAMS – Stanton

1. Main fourth quarter activity involved participation with University of Minnesota and Virginia Tech University on a grant application to the USDA's Biomass Research and Development Initiative to promote a regional hardwood feedstock supply industry for Pacific Northwest renewable bioenergy industry.
2. Discussed the joint solicitation of the USDA/DOE Plant Genome Feedstock program with Steve Strauss, Oregon State University. Intent is that a molecular-based hardwood

research proposal will be prepared and submitted by OSU. Application deadline is December 17.

DNR UPDATE

Herman reported that FY 2010 showed the most harvest (806 mmbf) in many years. He announced that Candace Johnson has been hired for silviculture management. He also reported that the first draft of the governor's budget has been submitted to the Legislature. Administratively, the governor is recommending that National Heritage and Law Enforcement be moved from DNR to Fish & Wildlife. Regarding biomass. A contract with University of Washington has been signed calling for an inventory of biomass. Commissioner Goldmark will keynote a Seattle biomass meeting in January.

2011 ANNUAL MEETING

After considerable discussion of the second planning draft for the annual meeting, Fisher and Fox were assigned to complete a third draft and distribute to the Commissioners by the week of January 7th. Finalization will be at a January 27th teleconference at 8:00 a.m. It was agreed that we have three panels; industry, science, and policy. Most of the 14 areas of interest fit into one of these panel areas. Certain other items will be presented as separate topics on the agenda. First choice for the venue is the Veteran's Museum at Chehalis for June 15th, 2011. The one and a half day format has not been confirmed. Only the field trip would be on the 2nd half-day. It was confirmed that we invite exhibitors to attend.

OTHER BUSINESS

Next meeting dates – January 27th, teleconference

March 9th, DNR room 432

June 15th, TBD

The meeting was adjourned at 11:00 a.m.

Minutes prepared by Dave Sweitzer