SBP

Sustainable Biomass Partnership

Supply Base Report: Lee Energy Solutions

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Completed in accordance with the Supply Base Report Template Version 1.0

For further information on the SBP Framework and to view the full set of documentation see www.sustainablebiomasspartnership.org

Document history

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1 Overview

Producer name:	Lee Energy Solutions
Producer location:	725 Blount Ave., Guntersville, AL 35976; 79 Greenway Drive, Crossville, AL 35962
Geographic position:	34°16'21.71"N 86° 2'26.97"W
Primary contact:	Bobra Ball, Office Administrator 79 Greenway Drive, Crossville, AL 35962 (P) 256-528-7290 (F) 256-528-7294 bball@leeenergysolutions.com
Company website:	http://www.leeenergysolutions.com/
Date report finalised:	17/Jul/2015, Updated 11/Feb/2016
Close of last CB audit:	Audit Closing Meeting 09/Jun/2015
Name of CB:	NSF
Translations from English:	as appropriate
SBP Standard(s) used:	Standard #1, Standard #2, Standard #4, Standard # 5, Version 1.0
Weblink to Standard(s) used:	http://www.sustainablebiomasspartnership.org/documents
SBP Endorsed Regional Risk Assessment:	not applicable
Weblink to SBE on Company website:	
Supply Base Evaluation:	Indirect wood supply to Lee Energy Solutions' Pellet Plant in Northeast Alabama and adjacent portions of Georgia and Tennessee.

Drafted May 15, 2015. Completed June 10, 2015. Updated 2/11/16

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Main (Initial) Evaluation	**First Surveillance**	**Second Surveillance**	**Third Surveillance**	**Fourth Surveillance**
X	☐	☐	☐	☐

2 Description of the Supply Base

2.1 General description

Lee Energy Solutions' single-site Crossville wood pellet production plant is located in DeKalb County in Northeast Alabama. The facility sources from a largely rural area where forestry and agriculture (e.g. forests, crops, poultry) are prevalent and are the primary sources of income for workers and the local communities. The forests consist of various hardwood and mixed hardwood/pine forests in the Piedmont Region. A map of the procurement area is included in the Supply Base Evaluation (SBE) and Risk Assessment (RA) as an Appendix, and is available upon request.

The SBE and RA includes most of central and northern Alabama and the adjacent counties in Northwest Georgia and South Central Tennessee. There are a limited number of facilities in the area which utilize in-woods and residual chips and sawmill residual. Thus, Lee Energy Solutions is an important market for low grade and low valued wood products that would otherwise go unused and could constitute a waste product. Utilized as wood pellets, this otherwise low valued and marginal material contributes to the increased use of renewable energy and serves to mitigate greenhouse gas emissions.

Lee Energy Solutions is unique in that it does not decide what forests to harvests, is not engaged in the harvesting or forest management activities and does not have responsibility for direct wood procurement. All wood fiber is supplied by a sole source supplier (DeKalb Forest Products, LLC.) Thus, Lee Energy Solutions is considered an Indirect and Secondary Producer that can only indirectly influence forest management, but cannot control how the forests are managed and how they are harvested. Land management and harvesting decisions are made by private family forest owners, in the context of U.S. Federal and State laws, regulations and State administered Best Management Practices.

The States of Alabama, Georgia and Tennessee have large and well funded State Forestry Commissions and agencies that administer a number of programs including: landowner outreach and extension, forest inventory and analysis, forest fire and pest prevention, BMP implementation and monitoring, smoke management planning and scheduling, forest resource and wildlife assessments and action plans, and other forest sustainability programs.

The bulk of Lee Energy Solutions' influence is through policies, supply contracts and monitoring of the sole supplier. The use of in-woods and residual chips and sawmill residuals provide an important market for low valued wood products that improves forest health conditions, minimizes fuels that contribute to wildfire, reduces site preparation costs and facilitates prompt reforestation.

The SBE focuses on the potential wood supply area of its sole source supplier and its residual sawdust and chip suppliers. All wood material is sourced according to the Forest Stewardship Council (FSC) Chain of Custody & Controlled Wood Standards and are considered an "SBP-approved controlled feedstock system." This additional SBE evaluation addresses each of the Biomass Feedstock Indicators, documents the Objective Evidence of Conformance, and assigns each Indicator with the appropriate "Risk" rating.

Lee Energy Solutions did not modify or adjust the Indicators contained in Standard # 1, due to the fact that it is an Indirect and Secondary Producer sourcing waste materials from the forest and other primary processing. Lee Energy Solutions is two to three, or more, contracts removed from the Forest Management Unit (FMU). The verifiers or evidence of conformance have been developed to meet the requirements of Federal and State laws, State BMPs, and the requirements of the FSC and GGL Standards. These verifiers contained in this SBE represent objective evidence of conformance that have been audited by independent Certification Bodies

accredited to conduct audits to the above Standards. Independent audits have involved stakeholder consultations and have provided feedback that the verifiers are appropriate and acceptable evidence of conformance to the SBP Standards.

Existing certifications include FSC Chain of Custody and Controlled Wood Standards and Green Gold Label (GGL) Standard. These certifications help to ensure a Low Risk of sourcing controversial or uncontrolled wood fiber. The company's existing Standard Operating Procedures constitute "Mitigation Measures" and contribute to the finding of Low Risk for all Standard # 1 Indicators. Thus, all wood pellet outputs are considered "SBP-compliant Biomass."

Lee Energy Solutions does not utilize feedstock from any CITES species within the procurement region. A list of commonly sourced species is contained in the Tree Species List.

2.2 Actions taken to promote certification amongst feedstock supplier

All of the Lee Energy Solutions' wood fiber inputs are sourced from one sole supplier (DeKalb Forest Products, Inc.) The sole supplier is FSC Chain of Custody and Controlled Wood certified and delivers all wood raw material to Lee Energy Solutions with a formal "FSC Controlled Wood" claim.

Formal correspondence is sent to the sole supplier with a Supply Agreement Addendum specifying Mitigation Measures to ensure compliance with all applicable laws and regulations, implementation of water quality BMPs, use of trained loggers and protection of High Conservation Values in the Southern Appalachians. No wood fiber is sourced from Late Successional Bottomland Hardwood forests associated with the Mississippi Alluvial Plain characterized by Cypress/Tupelo species.

DeKalb Forest Products is an active member of the Alabama Forestry Association that promotes forest certification and provides technical information to landowners addressing water quality BMPs, reforestation, visual quality protection, efficient utilization, protection of wildlife and biodiversity, control of invasive species and the identification and protection of forests of High Conservation Value

2.3 Final harvest sampling programme

Lee Energy Solutions relies on its sole wood fiber supplier to conduct monitoring of its wood procurement activities and those of its residual chip and sawdust suppliers to ensure that the Districts of Origin/Supply Base have been verified, that BMPs are being implemented, that the loggers have been trained under the State Logger Training Programs (PLM in Alabama, or equivalent) and that operations are in regulatory compliance.

DeKalb Forest Products conducts a comprehensive Pre- and Post-Harvest Inspection of BMPs and other aspects of forestry, including the removal of trash and debris. DeKalb Forest Products keeps those records and can make them available to Lee Energy Solutions and the Certification Body, upon request.

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2.4 Flow diagram of feedstock inputs showing feedstock type [optional]

Lee Energy Solutions utilizes both hardwood and softwood in-woods chips and residual sawdust. In-woods chipping contributes approximately 30% of the wood material inputs Approximately 70% of inputs are from sawmill residuals including sawdust and chips. The residual sawdust and chips are generated by up to eleven (11) sawmills, all located in Northern and Central Alabama with one in Southern Tennessee. The pellet facility does not utilize roundwood material directly from the forest. The facility also does not use any construction, demolition or post-consumer derived feedstock. And no Late Successional Bottomland Hardwoods (Cypress/Tupelo) are sourced from the Mississippi Aluvial Plain.

2.5 Quantification of the Supply Base

Provide metrics for supply base including

Supply Base

a. Total Supply Base area (ha): 17,114,290 acres Alabama
4,410,579 acres Georgia
4,520,677 acres Tennessee

b. Tenure by type (ha): 3,440,252 acres Private Non-Industrial Georgia
14,547,146 acres Private Non-Industrial Alabama
3,752,161 acres Private Non-Industrial Tennessee
998,113 acres Public Agencies Georgia
2,567,143 acres Public Agencies Alabama
768,515 acres Public Agencies Tennessee

c. Forest by type (ha): 6,503,430 acres Temperate Pine Forests
5,305,411 acres Temperature Oak-Hickory
5,303,411 acres Temperature Pine Plantations

d. Forest by management type (ha): ? ha Planted Georgia
? ha Planted Alabama
? ha Planted Tennessee
? ha Managed Natural Georgia
? ha Managed Natural Alabama
? ha Managed Natural Tennessee

e. Certified forest by scheme (ha): Certified Forest Content is not tracked or accounted for across the Supply Base. All wood material is formally delivered as FSC Controlled Wood.

Feedstock

f. Total volume of Feedstock: 3,400 metric tons per week

g. Volume of primary feedstock: 1,140 metric tons per week

h. List percentage of primary feedstock (g), by the following categories. Subdivide by SBP-approved Forest Management Schemes

- Large forest holdings certified to an SBP-approved Forest Management Schemes - 0%--No Certified Forest Content is tracked
- Large forest holdings not certified to an SBP-approved Forest Management Schemes - 0%--No Certified Forest Content is tracked
- Small forest holdings certified to an SBP-approved Forest Management Schemes - 0%--No Certified Forest Content is tracked
- Small forest holdings not certified to an SBP-approved Forest Management Schemes - 0%--No Certified Forest Content is tracked

i. List all species in primary feedstock, including scientific name
Liquidambar styraciflua L.; Acer spp.; Ulmus americana L. (Syn.: Ulmus americana var. americana).; Quercus spp; Prunus serotina; Platanus spp.; Nyssa spp.; Liriodendron tulipifera L.; Juglans spp.; Fraxinus americana; Celtis occidentalis; Carya spp.; Pinus ssp. A more detailed Species List of approximately 50 trees is maintained as one of the SBP Procedures and is available, upon request.

j. Volume of primary feedstock from primary forest - 0 ha (No primary forests are harvested)

k. List percentage of primary feedstock from primary forest (i), by the following categories. Subdivide by SBP-approved Forest Management Schemes
   - Primary feedstock from primary forest certified to an SBP-approved Forest Management Schemes - 0 ha (No primary forests are harvested)
   - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Schemes - 0 ha (No primary forests are harvested)

l. Volume of secondary feedstock: 1,140 metric tons / week of mill residual sawdust

m. Volume of tertiary feedstock: N/A--There are no tertiary feedstocks

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
X	☐

Lee Energy Solutions and DeKalb Forest Products do not track Certified Forest Content back to a Certified Forest (FSC/SFI/ATFS) as recognized by the SBP as compliant feedstock. Because less than 70% of the facility's total feedstocks originate from SBP approved Forest Management Schemes, a Supply Base Evaluation (SBE) and Risk Assessment has been conducted encompassing the entire wood supply area of the other primary processing mills.

4 Supply Base Evaluation

4.1 Scope

While the SBE & Risk Assessment includes information and evidence from across all three States of Alabama, Georgia and Tennessee, the fiber supply area is significantly smaller and extends approximately 50 highway miles from the site of the eleven primary sawmills.

4.2 Justification

The Supply Base Evaluation & Risk Assessment addresses each of the SBP Indicators as contained in Standard # 1. Lee Energy Solutions did not attempt to modify or adapt the Indicators. Many of the Indicators are similar to the requirements contained in the FSC and GGL Standards. The evidence of conformance to the Indicators in Standard # 1 was drawn from existing FSC & GGL Procedures to demonstrate conformance to the other certification standards, which SBP relies upon and does not attempt to duplicate.

Additional objective evidence of conformance was drawn from publicly available sources including: State BMP monitoring, forest inventory & analysis statistics, statewide resource assessments, wildlife action plans and other publicly available sources of information.

The Lee Energy Solutions' SBP Documents and Procedures provide the bulk of the evidence contained in the Supply Base Evaluation and Risk Assessment.

4.3 Results of Risk Assessment

The Risk Assessment considered all of the Standard Operating Procedures (SOPs) previously implemented by Lee Energy Solutions LLC and its sole supplier (DeKalb Forest Products, Inc.) The SOPs constitute existing control or mitigation measures approved and certified by independent Certification Bodies to meet the rigorous requirements of the FSC & GGL Standards.

The Low Risk findings of the Supply Base Evaluation & Risk Assessment are consistent with the findings of the FSC Chain of Custody and Controlled Wood Assessment under FSC-STD-40-005 V2-1.

Using a precautionary approach, Lee Energy Solutions has identified the Southern Appalachians as potentially "Unspecified Risk." This reflects the preliminary findings of the Draft FSC US National Risk Assessment that lists the Southern Appalachians as a Critical Biodiversity Area. Potential threats to Aquatic Habitats include sedimentation from roads. This potential is effectively mitigated by the very high rates of BMP Compliance across all three States within the Supply Base. Note that BMP compliance rates for Alabama are 97%. BMP Compliance in Tennessee is from 89-93%. BMP Compliance in Georgia are 93-98%.

The Draft FSC US National Risk Assessment also identifies "Glades" or rock outcrops in Bibb County, Alabama as containing a high diversity of rare plants. In discussions with DeKalb Forest Products, Inc., logging does not take place in areas with rock outcrops and there is a very low risk of impacts to such rock outcrops from logging that may supply mill residuals to Lee Energy Solutions.

Montane longleaf pine forests are considered rare and isolated in steep rolling terrain on the edge of the coastal plain. The Lee Energy Solutions Wood Supply Area is in the Piedmont Region and does not source significant quantities from the edge of the coastal plain. Thus, there is a negligible/low risk that Montane longleaf pine stands are being harvested, let alone converted to other species of pine. Remaining stands are largely protected in U.S. National Forests, State Parks and reserves.

Lee Energy Solutions has taken steps to ensure that the uncertainty around Southern Appalachian Critical Biodiversity Areas is addressed and formally mitigated. Lee Energy Solutions has inserted an Addendum into the Supply Agreement with its sole supplier to include the following requirements: 1) implement water quality BMPs to protect water quality and beneficial aquatic habitats, 2) use qualified logging professionals that have been trained (PLM Training in Alabama, or equivalent), 3) comply with all applicable laws and regulations, and 4) take steps to avoid potential impacts from logging on Critical Biodiversity Areas.

Other areas of Forests of Special Concern have been tentatively identified by the FSC US National Risk Assessment, including Late Successional Bottomland Hardwoods (Cypress/Tupelo) located in the Mississippi Alluvial Plain. Presently, the Mississippi Alluvial Plain is well outside of the wood supply area of Lee Energy Solutions and is not impacted by forestry operations. The FSC US National Risk Assessment identifies agricultural conversion as the main threat to such forests. In the unlikely event that any Cypress/Tupelo derived wood fiber were to be sourced from outside the Wood Supply Base in the future, it would be covered by the Mitigation Measures adopted for suppliers in the Appalachian Highlands of Tennessee, Alabama and Georgia.

4.4 Results of Supplier Verification Programme

By virtue of the finding of Low Risk to the SBP Standard # 1 Indicators, the Low Risk finding of the applicable FSC Controlled Wood Risk Assessment and the implementation of Policies and contract provisions to avoid any impacts on Critical Biodiversity Areas, there is an overall Low Risk of noncompliance with the SBP requirements in Standard # 1.

An extensive investigation was conducted of all secondary suppliers involving eleven (11) primary sawmills that supply residual chips and sawdust. DeKalb Forest Products maintains records of the Supplier Verification Program and location of each sawmill. Mitigation Measures are included in the Addendum to the Supply Agreement with DeKalb Forest Products to ensure implementation of Mitigation Measures contained in Section 4.3 above.

It is important to note that Lee Energy Solutions does own forest land and does not source directly from the forest. Lee Energy Solutions does not have procurement foresters that source wood fiber directly. All sources of supply are considered secondary sources and Lee Energy is defined as a Secondary Wood Processor by SBP. Lee Energy Solutions is two to three, or more, contracts or steps in the supply chain, from the Forest Management Unit and has no control and very limited influence over forest management decisions of private family forest owners. Lee Energy Solutions has no influence over forestry activities that occur outside of its Wood Supply Base.

4.5 Conclusion

The Supply Base Evaluation & Risk Assessment concluded Low Risk for all SBP Indicators (except 2.1.2 addressing High Conservation Values) based upon the Standard Operating Procedures (SOPs) of Lee Energy

Solutions and its sole supplier. The Supply Base Evaluation drew on the more than 5 year history and record of conformance to FSC Chain of Custody and Controlled Wood and Green Gold Label (GGL) certification Standards.

The States of Alabama, Georgia and Tennessee document high levels of BMP compliance and have strong legal and regulatory systems in place to ensure legality. Lee Energy Solutions requires its sole source supplier to use trained loggers, requires compliance with laws and regulations as well as State Best Management Practices and requires that steps be taken to avoid impacts to any Critical Biodiversity Areas located in the Southern Appalachians. Georgraphically, the Southern Appalachian Mountains are hundreds of miles removed from the Mississippi River Alluvial Plain.

Feedback from the Stakeholder Consultation process was largely positive and reinforced the finding that there is a need for markets of low valued residual material that would otherwise be wasted and land filled.

All inputs are currently indirect and secondary sources and Lee Energy Solutions is considered by SBP to be a Secondary Wood Processing facility that has no direct control or contractual link to the Forest Management Unit.

100% of the wood inputs are supplied as FSC Controlled Wood by an FSC Chain of Custody and Controlled Wood certified supplier. Thus, all wood inputs are considered "Controlled Feedstock" and "EUTR Compliant Biomass by SBP." All non-certified sources are Low Risk for all Standard # 1 Indicators, with Mitigation Measures addressing one category of High Conservation Values.

By virtue of the Low Risk rating and Mitigation Measures applied to conservation of the Southern Appalachians, all wood pellet outputs from Lee Energy Solutions are considered "SBP-compliant Biomass" and "EUTR-Compliant Biomass."

5 Supply Base Evaluation Process

Lee Energy Solutions retained R.S. Berg & Associates, Inc. to help prepare the SBP Program and Procedures, including conducting the Supply Base Evaluation & Risk Assessment. R.S. Berg & Associates, Inc. has provided consulting assistance to over two hundred and seventy (270) forestry organizations in North America and has conducted over forty (40) independent and internal audits to the FSC, SFI, PEFC and American Tree Farm System Standards. Resume, Client List and other information is available at the following website: http://www.rsbergassoc.com/

Lee Energy Solutions is independently certified to the FSC Chain of Custody and Controlled Wood Standards and the Green Gold Label. Lee Energy Solutions sources all secondary inputs from one sole source supplier that is also FSC Chain of Custody and Controlled Wood certified. Each delivery is documented and claimed as "FSC Controlled Wood."

6 Stakeholder Consultation

A Stakeholder Consultation Procedure (LES-SBP-DP-04) was developed that included correspondence to almost fifty (50) interested and affected stakeholders. A list of relevant Stakeholders was developed based upon several selection criteria including: the geographic scope of the Supply Base, stakeholders from past FSC audits and consultations, relevant federal and state natural resource agencies, private conservation organizations, indigenous peoples groups, forestry colleges and universities, advocacy organizations, as well as local governmental officials. Correspondence was sent as of 4/24/15-4/30/2015. A Summary of Stakeholder input was prepared documenting input and responses by Lee Energy Solutions.

It should be noted that the Lee Energy Solutions SBP Stakeholder Consultation is one of the first to be conducted in the U.S. The SBP website contains copies of Version 1.0 that were issued March 26, 2015. Because the Standards were recently issued and the SBP Standards are not well known in the U.S., Lee Energy Solutions is uncertain what level of understanding exists within the stakeholder community.

The Sustainable Biomass Partnership (SBP) conducted an additional Technical Review and issued a Major Non-conformance for not explicitly addressing potential threats to Late Successional Bottomland Hardwood Forests located in the Mississippi Alluvial Plain. Lee Energy Solutions does not currently source, and does not intend to source, Cypress/Tupelo species. Cypress is not a suitable species in the production of wood pellets and the source of supply is hundreds of miles removed from the Pellet Mill in Crossville, Alabama. Currrent hauling distances of wood fiber are in the 50 mile range, while the Mississippi Alluvial Plain is hundreds of miles away, far exceeding the plausible economical hauling distance for bulk commodities of low valued residual wood fiber..

6.1 Response to stakeholder comments

Comment 1:

Public Comment:

Mr. John Pittard,

In response to your April 24, 2015, letter to interested SBP stakeholders (attached), I want to correct a statement in the fourth paragraph, “The mill residuals that would otherwise be land filled or burned… .”

For many years, Georgia’s forest industry has maintained a high utilization rate for mill residuals. In 2011, Georgia primary wood-using mills generated 346 million cubic feet of wood and bark residues; nearly 100% of these residues were used for a product. This data is documented in the report, *Georgia’s Timber Industry-Timber Product Output and Use, 2011* (attached).

Please let me know if you have any further questions about Georgia’s forest industry or forest resources.

Regards,
Risher

Risher A. Willard
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rwillard@gfc.state.ga.us
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Response 1: **Lee Energy Solutions' Response:**

Dear Mr. Willard,

Thanks for your quick response to our letter. After considering your comments I believe the wording in my letter needs to be changed to more accurately reflect the facts as you have stated in regards to the sawmill residuals in Georgia. We appreciate you bringing this to our attention.

Comment 2: **Public Comment:**

Dear Mr. Pittard

AL-ACF appreciates the opportunity to provide input into the request for comments as an interested Sustainable Biomass Partnership (SBP) stakeholder per your letter of April 24, 2015. Alabama Chapter, Association of Consulting Foresters represents private landowners in the sustainable stewardship of their recourse and clearly support fair markets, trade and utilization of forest products and residues.

We offer no suggestions or recommendations as you conduct the Supply Base Evaluation but encourage you to continue to develop new open markets and pathways for utilization that will be of benefit to forest landowners in NE Alabama.

If we can be of assistance, please contact us anytime.

Sincerely,
John R. Stivers, ACF
Chair, Alabama Chapter
Association of Consulting Foresters (ACF)

Response 2: **Lee Energy Solutions' Response:**

We acknowledge receipt of your comments to continue to develop new markets for utilization that will benefit forest landowners in NE Alabama. We agree that utilization of mill sawdust and chip residues is good for the forest, good for landowners and good for the environment.

Comment 3: **Public Comment:**

Mr. Ferruci,

Thank you for reaching out to me regarding the above-referenced project and the biomass sourcing protocols utilized by Lee Energy Solutions. Since Lee Energy does not currently harvest biomass materials and thus sources its feedstocks from existing value-chain partners, we don't see any adverse impacts resulting from this practice. Woody biomass products harvested and sourced using industry-accepted BMPs as guideline leads to sustainable forestry management that enhances forest health, increases existing forestland management and reinvestment, creates jobs and economic development in rural areas, and maintains or increases carbon storage levels across a regional scale.

We firmly believe that wood pellets are a sustainable source of energy (thermal and electric) – especially when gleaned from existing sustainably managed forests and forest product industries.

I hope this helps in your assessment.

Brent Bailey
25x'25 Alliance
State Activities Coordinator
SAFER Alliance
Project Coordinator
601-573-4815
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Response 3: **Lee Energy Solutions' Response***:*

Dear Mr. Bailey

Mr. Mike Ferrucci forwarded me your response to his request for comments concerning our Pellet Mill in Crossville, Alabama. We appreciate you taking the time to respond and fully agree with the assessment you made in your letter. If you ever have any questions concerning the Lee Energy pellet mill, feel free to contact me directly.

Sincerely,
John Pittard, President
Lee Energy Solutions

7 Overview of Initial Assessment of Risk

Table 1. Overview of results from the risk assessment of all Indicators (prior to SVP)

Indicator	Initial Risk Rating		
	Specified	Low	Unspecified
1.1.1		X	
1.1.2		X	
1.1.3		X	
1.2.1		X	
1.3.1		X	
1.4.1		X	
1.5.1		X	
1.6.1		X	
2.1.1		X	
2.1.2			X
2.1.3		X	
2.2.1		X	
2.2.2		X	
2.2.3		X	
2.2.4		X	
2.2.5		X	
2.2.6		X	
2.2.7		X	
2.2.8		X	
2.2.9		X	
2.3.1		X	
2.3.2		X	
2.3.3		X	

Indicator	Initial Risk Rating		
	Specified	Low	Unspecified
2.4.1		X	
2.4.2		X	
2.4.3		X	
2.5.1		X	
2.5.2		X	
2.6.1		X	
2.7.1		X	
2.7.2		X	
2.7.3		X	
2.7.4		X	
2.7.5		X	
2.8.1		X	
2.9.1		X	
2.9.2		X	
2.10.1		X	

8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

The results of the Supply Base Evaluation and Risk Assessment addressing the requirements in Standard # 1 were all Low Risk, and Mitigation Measures effectively lower the Unspecified Risk for Indicator 2.1.2 to Low Risk.

The sole source supplier is DeKalb Forest Products, an FSC Chain of Custody and Controlled Wood certificate holder. An additional eleven primary sawmills provide residual sawdust and chips to DeKalb Forest Products covering a wide Supply Base.

A Supply Agreement Addendum included contract provisions to address the unspecified risk of sourcing from the Southern Appalachian region.

8.2 Site visits

DeKalb Forest Products is located within one mile of the Lee Energy Solutions Pellet Mill. Lee Energy Solutions is in regular contact with the Procurement Foresters at DeKalb and makes periodic visits and inspections of documents. DeKalb Forest Products makes an FSC Controlled Wood claim on all material inputs.

8.3 Conclusions from the Supplier Verification Programme

All current evidence leads to a conclusion that there is a Low Risk of sourcing from forest areas that are considered High Conservation Value. However, the recent Draft FSC US National Risk Assessment (NRA) includes additional Critical Biodiversity Areas that may be at risk from forestry operations. The only Critical Biodiversity Area within the Supply Base is the Southern Appalachians. (http://foreststewardshipcouncil.s3.amazonaws.com/index.html).

The FSC US NRA suggests that Aquatic Habitats and their associated biodiversity are potentially threatened by sedimentation from roads. Glades in Bibb County (rock outcrops) may potentially be harmed by logging and other management activities.

And the rare Montane longleaf pine habitats are potentially harmed by conversion of longleaf to other pine types and the use of herbicides or other management techniques may inhibit native understory communities.

Suggested Mitigation or Control Measures for Aquatic Habitats include implementing BMPs during road construction and maintenance and in forested wetlands. Mitigation Measures for Glades include taking biodiversity values into consideration when designing forwarding operations and landings. Mitigation Measures for Montane longleaf pine include maintaining native longleaf habitats.

The FSC US NRA recognizes that Indirect Purchases are where there is no direct relationship with the forest management unit (FMU). Indirect purchases generally do not require field verification or supplier agreements.

Byproducts, in turn, only require a company policy. In all cases, Lee Energy Solutions is more than one link away from the FMU.

Thus, the Mitigation Measures proposed by FSC US include Policies to avoid potential impacts associated with harvesting and roads. Such policies have been inserted into Lee Energy Solutions' Sustainable Biomass Policy. Similar provisions are also included in the Supply Agreement Addendum as extra measures of precaution. Supplier compliance shall be assessed via monitoring of DeKalb Forest Products, state agency inspections, stakeholder feedback, and state agency inspections or reports where relevant and available.

The Mitigation Measure adopted by Lee Energy Solutions are contained in the Supply Agreement Addendum contained in LES-SBP-DP-08.

To date, no stakeholders have documented any scientifically supported concerns regarding the Critical Biodiversity Areas identified in the FSC US NRA. And overall, the southern region BMP implementation average increased from 87% in 2008 to 92% in 2012, thus mitigating potential impacts to Aquatic resources and habitats. The combined Mitigation Measures are sufficient to move the Unspecified Risk to Low Risk.

The SBP Technical Review found a Major Non-conformance for not addressing the potential of sourcing Late Successional (Old Growth) Bottomland Hardwoods from the Mississippi Alluvial Plain. Potential High Conservation Value Forests outside of the Supply Base were excluded from the Supply Base Evaluation and Risk Assessment. Bottomland Cypress/Tupelo are not used in the production of wood pellets and are hundreds of miles removed from the Supply Base. In the unlikely event that Cypress/Tupelo wood fiber were to be used in the future, the same Mitigation Measures that are applied to the Appalachian Mountain Region would be applied to the Mississippi Alluvial Plain.

9 Mitigation Measures

9.1 Mitigation measures

Lee Energy Solutions Standard Operating Procedures (SOPs) addressing sustainability and legality are already in place and have been functioning under the FSC Chain of Custody and Controlled Wood program for four years.

Lee Energy Solutions is proactively implementing additional Mitigation Measures proposed by FSC US to include Policies and Control Measures to avoid potential impacts associated with harvesting and roads. Such policies have been inserted into Lee Energy Solutions' Sustainable Biomass Policy.

Similar provisions are also included in the Supply Agreement Addendum as extra measures of precaution. Supplier compliance shall be assessed via monitoring of DeKalb Forest Products, state agency inspections, stakeholder feedback, and state agency inspections or reports where relevant and available.

The Mitigation Measure adopted by Lee Energy Solutions are contained in the Supply Agreement Addendum contained in LES-SBP-DP-08.

9.2 Monitoring and outcomes

Lee Energy Solutions intends to periodically and annually monitor its sole source supplier to confirm compliance with contract provisions and policies as part of the annual internal audit and management review. The SBE will be updated and the issues of potential risk to High Conservation Values will be reassessed at that time.

10 Detailed Findings for Indicators

Detailed findings for each Indicator are contained in the Supply Base Evaluation and Risk Assessment.

11 Review of Report

11.1 Peer review

The SBP Standards Program at Lee Energy Solutions has involved the development of detailed Documents and Procedures to address all relevant requirements. An outside consultant was retained to help develop the procedures and conduct the Supply Base Evaluation.

A Readiness Review was conducted with the accredited Certification Body (NSF-ISR). Almost 50 letters and notices were sent to potential stakeholders. The accredited Certification Body has assigned two auditors to conduct an independent audit of the SBP Program. The Certification Body is also required to conduct an independent consultation with potential stakeholders. Additionally, the Certification Body's assessment is subject to independent third-party review.

Independent auditors conduct annual surveillance audits of the Lee Energy Solutions FSC certification programs. SBP procedures call for a Technical Review Panel to review the audit findings.

Lee Energy Solutions believes that sufficient independent reviews of its Programs and Procedures has taken place and that an additional Peer Review is not warranted or required.

11.2 Public or additional reviews

See the summary response to Section 11.1 above.

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	R. Scott Berg (updated by Michael Barnwell)	President, R.S. Berg & Associates, Inc. (Lee Energy Solutions)	5/19/2015 (Updated 12/21/15) (Updated 2/11/16)
	Name	**Title**	**Date**
The undersigned persons confirm that I/we are members of the organisation's senior management and do hereby affirm that the contents of this evaluation report were duly acknowledged by senior management as being accurate prior to approval and finalisation of the report.			
Report approved by:	John Pittard	President, Wood Pellet Export Sales Lee Energy Solutions	5/25/2015 Updated 12/21/15 (Updated 2/11/16)
	Name	**Title**	**Date**
Report approved by:	Mike Walker	Plant Manager, Lee Energy Solutions	5/25/2015 Updated 12/21/15 (Updated 2/11/16)
	Name	**Title**	**Date**
Report approved by:	***[name]***	***[title]***	***[date]***
	Name	**Title**	**Date**

13 Updates

Lee Energy Solutions intends to update the SBP Program on an annual basis and conduct annual audits and management reviews. These will be conducted prior to normally schedule surveillance audits of the SBP, FSC and GGL Standards Programs.

12/21/15 - updated list of primary feedstock in this report to match SBP Species list (LES-SBP-DP-14).

2/11/16 – updated to reflect that Late Successional Bottomland Hardwoods are outside of the Supply Base and could not be used in the production of wood pellets. Even if sourced, the same Policies and Mitigation Measures for other Priority Forest Types would apply.

13.1 Significant changes in the Supply Base

N/A

13.2 Effectiveness of previous mitigation measures

N/A

13.3 New risk ratings and mitigation measures

N/A

13.4 Actual values of feedstock over the previous 12 months

N/A

13.5 Projected values of feedstock over the next 12 months

N/A