

Subject: Geothermal Update

From: Amanda Ormond [mailto:asormond@msn.com], Monday, Dec. 01, 2003

Geothermal Working Group Member,

Below are a few update items.

1) As you are probably aware, the federal energy bill which contained the production tax credit (PTC) for geothermal, failed in the Senate last week. There was much in the papers about the bill. Both Senator's McCain and Kyle were vocal opponents of the bill due to the inclusion of several controversial provisions and special-interest spending. However, Senate leaders have vowed to begin working on the bill again in January. Although much of the bill was not largely supported the extension of the PTC for wind and to geothermal was. Look for this measure to surface in another bill or when the energy bill is reconsidered in the New Year.

2) The USDA has funding again this year (from the 2002 Farm Bill) for renewable energy agricultural projects. Attached you will find a one-page document describing who can apply and where to get more information. There is \$23 million in FY 2003 for projects. There is no firm date yet for when funds will be available. Eligible projects include systems that generate energy from wind, solar, biomass, or geothermal sources or that produce hydrogen derived from biomass or water using a renewable energy source. Eligible projects also include energy efficiency improvement projects. I will send information as I receive it or you can contact USDA directly (contact information is in the attachment).

3) At our working group meetings I was asked to keep the group apprised on developments on the Arizona Environmental Portfolio Standard. In June the Cost Evaluation Working Group (CEWG) completed their assessment of the standard to date. The report analyses the costs, benefits, and Arizona economic impact of the EPS through the end of 2002. The CEWG offered two options for proceeding with the EPS: leaving the portfolio standard at 0.8 percent of retail electric sales until revenues are sufficient to increase the standard to 1.1 percent or increase the portfolio percentage to 1.1 percent by 2007. You can access the report at <http://www.cc.state.az.us/utility/electric/CostEvalRpt.pdf>

More recently, Chairman Spitzer and Commissioner Mundell went on the record with their ideas for changing the portfolio standard. The Spitzer Proposal and Mundell letter (both attached) have been filed in docket number RE-00000C-00-0377. Since the letters are docketed if you are interested you can comment on the two documents. For more information on filing comments on Commissioner Spitzer's or Mundell's proposals see <http://www.cc.state.az.us/utility/forms/filehint.pdf>. It is unclear at this point what

process, if any, will be used to modify the existing standard or what action will be taken on the CEWG report but this issue will be one to watch.

4) We will host our next meeting after the first of the year. We discussed having our next meeting in Flagstaff to tour the San Francisco field but we may want to wait until spring. If you have suggestions for other locations or ideas please let me know.