

Energy Policy Update

Energy and Environmental News

March 2004



ARIZONA DEPARTMENT OF COMMERCE
Our Job is JOBS!
ENERGY OFFICE

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This newsletter is published by the Arizona Department of Commerce Energy Office and is provided free of charge to the public. It contains verbatim excerpts from international and domestic energy and environment-related publications reviewed by the Education and Community Outreach personnel. For inquiries, call **(602) 771-1137** or toll free **(800) 352-5499**.

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FOR YOUR CONVENIENCE, ARIZONA-RELATED TITLES ARE HIGHLIGHTED IN GRAY



Alternative Energy & Efficiency

A Commitment to Cleaner Energy

[Arizona Republic web site, Feb. 11] **State regulators renewed their commitment to cleaner energy [on Feb. 10] by increasing the amount of power some of Arizona's biggest electric utilities would have to derive from renewable resources such as solar, water and wind.** But Arizona corporation commissioners also opened the door for consumers to shoulder more of the bill for the "green" power that can cost several times more to produce than traditional electricity. Calling it a momentous day for the state, corporation commissioners voted 4 to 1 to boost the so-called solar and environmentally friendly portfolio standard to 1.1 percent of certain utilities' energy resources by 2007. California has set a goal of 20 percent by 2010. For Arizona Public Service [APS], 1.1 percent would be about 50 megawatts, enough to light 25,000 homes. The Salt River Project is not regulated by the commission and unaffected by the rule. APS now must obtain 0.8 percent of power from renewable resources under rules passed in 2000. The rules required the commission to assess the program this year and to determine whether to raise the bar. APS wanted the commission to raise the surcharge before increasing the renewable requirement, but Vice President Ed Fox said the company "looked forward to working out the details in the workshops." The commission agreed to hold workshops to determine whether a current surcharge on residential electric bills of up to 35 cents per month should be increased and whether a requirement that 50 percent of the renewable energy comes from solar resources, should be modified or eliminated.

Boom: 2003 Close to Best Year Ever for New Wind Installations

[American Wind Energy Association web site, Jan. 22] Washington, D.C. – **Nearly 1,700 megawatts (MW) of new wind electric generating capacity – enough to serve approximately 425,000 average homes – were installed in the U.S. in 2003, the American Wind Energy Association (AWEA) said [on Jan. 22].** The near-record performance for the American wind industry is overshadowed, however, by the failure of Congress to pass comprehensive energy legislation including a three-year extension of the wind energy production tax credit (PTC), an incentive that is vital to the industry's future growth. The credit expired Dec. 31, 2003, leading to layoffs, stalled projects, and a negative near-term market outlook. AWEA urges Congress to act quickly to extend the PTC so the American public can reap the rewards of a growing base of fuel- and emission-free wind power. The trade group said 2003 was very close to the best year ever in the U.S. in terms of installed capacity, with 1,687 MW of new wind power constructed, topped only by the 1,696 MW installed in 2001. Current installed capacity in the U.S. is now over 6,370 MW, with utility-scale wind turbines installed in 30 states. The large buildup in capacity is a 36 percent increase over the installed wind power base in the U.S. at the beginning of the year. Over the last five years, U.S. wind capacity has expanded at an annual average rate of 28 percent, and preliminary indications are that 2003 continued the pattern of wind being the fastest-growing electricity source in the world on a percentage basis. More wind power in the nation's power portfolio, AWEA said, means less reliance on fossil fuels, more economic development in rural areas, and more pollution-free electric power. With the PTC incentive, wind power is now in an increasingly competitive range with other generation sources, and the cost of wind-generated electricity is not affected by fuel price volatility. However, instead of building on the momentum established in 2003, the wind industry in 2004 is again waiting for a clear signal from Congress that will ensure the stable finance environment needed to promote the industry's continued development....

Ford Drops NG, LPG Alternative Fuels in Favor of Hybrids

[Calstart web site, Feb. 2] **Ford Motor Co. is dropping production of its natural gas and propane vehicles in favor of hybrid electric vehicles, reports *New Fuels & Vehicles*.** Last year Ford pulled the plug on its electric vehicle program, and there is a certain irony that Ford – which has been successfully marketing both cars and trucks for the alternative fuel vehicle (AFV) market – is largely pulling out of that market in favor of hybrids, for which it has repeatedly announced and then cancelled or postponed product offerings. The company will continue to pursue hydrogen internal combustion engines, which uses technology similar to natural gas and propane vehicles, but for a fuel which is virtually unavailable. Some view this as a jolt to the federal and state fleets trying to meet alternative fuel vehicle purchasing requirements, as well as for regions that saw AFVs as a tool to help meet federal air quality standards. However, other manufacturers, notably Honda and General Motors, continue to market natural gas vehicles, either in dedicated or bi-fuel configurations....

Group Team-Up Bringing Solar Electric Power to New Homes

[American Solar Electric web site, Jan. 27] Phoenix – **Edwards Design Group, Inc., a Scottsdale-based design / build firm, builder of environmentally progressive homes and American Solar Electric, Inc., a Phoenix-based integrator of photovoltaic (PV) power systems, have joined forces to bring grid-connected PV power systems to several new homes being built today....** These properties are at various stages of construction with the first system installation scheduled to take place in the coming weeks. The PV systems complement other environmental building technologies implemented by Edwards Design Group on their properties. Each PV system will have an array power rating of five kWp [kiloWattpeak], and with the help of Arizona Public Service, 50 percent of the installed system cost will be paid for through their recently-revised EPS [Environmental Portfolio Standard] Credit Purchase Program. The systems are designed to generate power during daylight hours and offset consumption of utility supplied power. Any excess power generated by the systems (power not used by the loads on the property) is sold back to the utility company and a credit is issued to the homeowner on their power bill....

Honda 'GX' NGV Rated Greenest

[Calstart web site, Feb. 10] **The American Council for an Energy-Efficient Economy (ACEEE) has released its listing of “greenest” and “meanest” vehicles for 2004, and rated the Honda Civic “GX” natural gas vehicle (NGV) as the greenest vehicle, based on fuel economy, emissions and estimated environmental impact.** According to MSNBC, the list was topped by five vehicles from Honda

and Toyota, including the "Insight" and "Civic" hybrids and the "Prius" hybrid and the "Echo" compact. On the opposite end of the spectrum, the Volkswagen "Touareg" diesel sport utility vehicle [suv] was rated worst, beating out even the notorious "Hummer H2" SUV and Lamborghini "Murcielaga" super exotic. Detroit was noticeably absent from the green list. "But the fact is that the greenest vehicles today excel in both fuel economy and tailpipe emissions, and Detroit has yet to do that," according to Therese Langer, ACEEE's transportation program director. The overall "green score" also factored in the health impacts of pollutants as well as the level of so-called greenhouse gases like carbon dioxide, associated with global warming.

Japanese, U.S. Officials Meet to Promote Cleaner Vehicles

[Detroit Free Press web site, Jan. 28] Washington, D.C. - **United Parcel Service Inc. [UPS] will be using a fuel cell vehicle to deliver packages to Ann Arbor, Mich., residents this fall, the director of the U.S. Environmental Protection Agency's [EPA] transportation office said [on Jan. 28].** Margo Oge said the project – sponsored by UPS, DaimlerChrysler AG and the EPA – is one of many research efforts under way in the race to develop more environmentally friendly vehicles. "There is a tremendous energy and excitement going on," she said, whether engineers are redesigning conventional engines, developing cleaner diesel fuel or developing hybrid and fuel cell systems. "Our job is not to dictate a specific technology, but we're very interested to see those technologies compete in the marketplace." ... Japan will require vehicles to get 35.8 miles per gallon by 2010, a 3.4 percent improvement over current rates. The country also must reduce greenhouse gas emissions by 11 percent between 2001 and 2010, said Kanji Nakayama, director of engineering and safety with Japan's Ministry of Land Infrastructure and Transport. Nakayama said Japan wants to have 50,000 hydrogen fuel cell vehicles on the road by 2010 and five million on the road by 2020. Oge and Alan Lloyd, who is the head of the California Air Resources Board, said there is also a growing market for environmentally friendly vehicles in the United States. Oge said around 50 percent of buyers say they're interested in green vehicles. Lloyd said he expects Californians will buy 20,000 hybrids and 195,000 low-emission vehicles such as the Ford Focus this year. He said he expects there will be one million zero-emissions vehicles on California roads by 2020. Lloyd praised automakers for making 37 different models of low-emission vehicles available in 2004.... Oge said a regulation going into effect this year that requires sport utility vehicles to meet the same emissions standards as cars will prevent more than 4,000 deaths, while a clean diesel standard for trucks scheduled for 2007 will make trucks 90 percent cleaner than they were in 1990 and will prevent approximately 8,300 premature deaths and 750,000 respiratory illnesses....

Wind Farm to Come to Arizona

[Arizona Republic web site, Feb. 26] **For the first time, wind power will come to Arizona.** Arizona Public Service [APS] has agreed to buy the energy produced by 10 windmills located near the eastern Arizona town of St. Johns. The 400-acre wind farm is scheduled to begin producing energy by year's end. The windmills, which will cost about \$1.5 million each, will be capable of producing 15 megawatts of energy, or about 1.5 megawatts each. That translates into enough power for about 3,000 midsize homes. Construction on the site will begin in September. APS produces 6,000 megawatts of electricity at any given time in Arizona. "This is a project we embarked upon not to meet the needs of our customers, but to further explore renewable sources of energy and add to that portfolio," APS spokesman Damon Gross said. The windmills will be owned by Western Wind Energy Corp., a Vancouver-based company that spent five years looking for suitable sites for energy-producing windmills.... St. Johns has winds that average 15 mph [miles per hour] year-round, Western Wind President Mike Boyd said. "There are probably windier sites in the state, but this is close to transmission lines, making it a viable site," he said. Moreover, the winds in that area blow most heavily at the right time of the year, from April to September. "The wind blows during the peak power needs of the state," Boyd said.... The St. Johns site provides enough wind for the center to exceed 24 percent capacity, just enough to make it a viable project, he said. Capacity refers to the ability of a facility to generate energy. A coal-burning plant, for example, runs at about 99 percent capacity because it can produce energy virtually non-stop. Because of its sporadic nature, wind energy will only supplement APS' other sources of energy, Gross said. But it will help the utility company to reach a goal of generating 1.1 percent of its energy through renewable resources by 2007, a requirement sought by the Arizona Corporation Commission, which regulates APS. The company already generates about 4.5 megawatts of solar energy and recently partnered to open a biomass plant that uses vegetation waste as an energy source. The Arizona wind farm will be a baby step into wind energy compared to some other states. For example, the wind energy produced in the Palm Springs, Calif., area alone is capable of providing 1,100 megawatts of energy in a given year. The area has about 2,800 energy-producing windmills, down from 4,200 windmills in the early 1990s. The decline is a result of more efficient wind

machines, capable of harnessing greater amounts of energy. The new models are also much larger than older models, said Fred Noble, president of Wintech Energy Ltd., a Palm Springs-based wind-farm owner. The St. Johns windmills will be 330 feet high. Each of the three blades will be 170 feet long. The blades will make 18 to 24 revolutions per minute, which should be slow enough to avoid bird kills, Boyd said. Western Wind also has an application with the state Land Department to lease 5,000 more acres of land near the current St. Johns site. It also has 9,500 acres of leased private land near Kingman that could have windmills on it by early next year.



Legislation & Regulation

Agency Opposes Arizona Public Service Hike

[*Arizona Republic web site, Feb. 5*] **Arizona Public Service Co. [APS] wants a rate increase.** But if regulators get their way, the utility's 900,000 customers could, instead, see a substantial drop in their electric bills. APS has asked the Arizona Corporation Commission to approve a 9.8 percent, or \$175 million-a-year, rate increase to cover an investment in new power plants and higher operating costs. The proposal would tack \$9.24 onto the average monthly residential bill. But, the commission's staff concluded in a filing [on Feb. 3rd], that the company's rates are already too high and should be reduced by eight percent, or \$143 million per year. That would reduce the monthly bill by \$7.54 for the average consumer. In a similar filing, the consumer watchdog Residential Utility Consumer Office suggested a decrease of 2.84 percent, or \$53.6 million. The proposal would reduce monthly bills \$2.66. APS said, in a Securities and Exchange Commission filing [on Feb. 4th], that it would vigorously oppose the recommendations and that the higher rates are necessary to provide reliable electric service to its growing customer base.... The consumer office and the Corporation Commission filings act as written testimony in APS' first requested rate increase since 1991. Eventually an administrative law judge will make a final recommendation that will go before the five commissioners for approval. Commission spokeswoman Heather Murphy noted that the administrative law judge is not bound to accept the recommendations of the staff, and the commissioners are not bound to accept the recommendations of the judge. A final decision in the rate case is not expected until this summer. Under Arizona's unraveling electricity deregulation plan, APS' rates have been capped until July, when new rates could take effect. The company has asked to be able to recover from ratepayers the \$900 million cost of several new power plants built under the premise of a deregulated electricity scenario and about \$234 million in so-called stranded investment that the company wrote off as a condition to deregulating its market. APS claims that since the commission has barred it from spinning off its power plants into a separate affiliate, it should be allowed to recover the write down it took in preparation for the move. APS also is asking for a guaranteed annual return on equity of 11.5 percent. Given prevailing low interest rates, the commission staff recommended a nine percent return on equity and utility consumer office suggested 9.5 percent. The commission staff and the utility consumer office recommends that the company not be allowed to put the cost of the new power plants into the rate base and that consumers would be better served by purchasing wholesale electricity on the open market instead of investing in new power plants....

Bush Budget Cuts Environmental Funding by Seven Percent

[*Reuters, Feb. 2*] Washington, D.C. - **The Bush Administration on [Feb. 2] proposed a 2005 budget for the Environmental Protection Agency [EPA] which is down more than seven percent from levels Congress enacted in 2004, but includes more money to clean up toxic waste sites while slashing funds for clean water projects by about \$500 million.** President Bush's proposed \$2.4 trillion election-year budget includes \$7.76 billion for EPA, the agency charged with keeping the nation's air, water and land pollution-free. Proposed funding is down from the \$8.4 billion that Congress allocated for EPA in the current budget year. EPA Administrator Mike Leavitt, who is nearing the 90-day mark after taking the reins of the agency from Christine Whitman, said the budget allocates "substantially more money" than prior years. "With the President's budget, we can increase the velocity of environmental protection," Leavitt told reporters. Leavitt pointed to a \$133 million boost from EPA's 2004 request of \$7.63 billion to remove toxic sludge from the Great Lakes and make school buses burn cleaner fuel. However, some lawmakers and environmental groups criticized the budget as hindering U.S. environmental initiatives. "This budget not only shortchanges our environment, it challenges our nation's role as a global environmental leader," said independent Sen. Jim Jeffords of Vermont....

Bush Seeks Funding Boost for Hydrogen Cars

[*Reuters, Feb. 1*] Washington, D.C. - **The Bush Administration wants a 43 percent increase in federal funds to develop cars that run on hydrogen fuel and the service stations to support them.** The additional \$69 million would bring the program's total funding to \$228 million for the 2005 spending year, which begins Oct. 1, under the White House's proposed government budget released on [Jan. 26th]. The money is part of President Bush's long-term initiative begun last year to reduce U.S. dependence on foreign oil by developing hydrogen-powered fuel cells to run cars, trucks, homes and businesses. The emissions-free vehicles would also cut pollution as their only by-product would be water. The administration wants to have the hydrogen cars in the market and available to consumers at an affordable price near the end of the next decade. However, many environmental groups say that is too long and believe U.S. oil imports could be reduced quicker if the government significantly boosted the mileage requirements for new gas-guzzling SUVs [sport utility vehicles], pick-up trucks and minivans.

Doubts About New Clean Air Rules

[*CBS News web site, Feb. 6*] Washington, D.C. - **Most state environmental officials believe the Bush Administration's proposed changes to clean air rules will result in more air pollution, according to a survey by congressional auditors.** The General Accounting Office [GAO], the investigative arm of Congress, said 27 of 44 state offices responding to its survey believe the Environmental Protection Agency's [EPA] new regulations regarding when old coal-burning power plants do or don't have to install new pollution controls will result in more pollution. The GAO submitted questions to the state agencies charged with managing clean air regulations, based on a request by Sens. Joe Lieberman, D-Conn., and James Jeffords, I-Vt. The agency's report was released [on Feb. 6]. The 27 state officials "expected the rule to increase emissions of harmful air pollutants, thereby hindering ... efforts to meet air quality standards and potentially creating or exacerbating public health risks," the GAO report found. That belief contradicts the Environmental Protection Agency's determination that the rule will decrease emissions. Five state officials agreed with EPA's assertion that pollution will fall with the new regulations. The remaining state officials responding to the GAO survey thought pollution would remain the same or were unsure. The new regulations adopted last October would allow some older power plants, refineries and factories to modernize without having to install expensive pollution controls. A federal appeals court has blocked the new rules temporarily until it rules on a suit by 14 states and several cities challenging the changes. Four of those states declined to participate in the GAO survey because they are participants in the litigation....

EPA May File More Power Plant Enforcements

[*Calstart web site, Jan. 23*] **Despite the adoption of new rules easing federal standards affecting "dirty" power generation and industrial plants, a court stay of that change may result in more enforcement actions, reports Reuters.** Pending resolution of that dispute, U.S. Environmental Protection Agency [EPA] Administrator Mike Leavitt indicated to reporters that enforcement action will continue "on all filed cases and there will be new ones." Under the Clinton-era "new source review" rules, utility and industrial sites were required to install updated pollution control technology when expanding or upgrading their facilities. The new Bush Administration proposal enacted in August substantially relaxed those requirements, prompting a suit by Northeastern states affected by such pollution – particularly from coal-fired power plants and refineries – both from within their borders and from neighboring states in the Midwest and South. This air pollution has been linked to respiratory ailments and other public health concerns. Environmentalists have criticized EPA enforcement efforts, and some key agency personnel involved in investigating and pursuing those actions have recently resigned or retired from EPA.

GOP Attempts to Jump-Start Energy Bill

[*Arizona Republic web site, Feb. 11*] Washington, D.C. - **Senate Republicans, hoping to salvage a stalled energy bill, said [on Feb. 10] that they plan to more than halve the measure's tax breaks and other business incentives, cutting them to less than \$14 billion from \$31 billion over 10 years.** But at a meeting of GOP [Grand Old Party] senators, members balked at attaching the energy legislation to a pending transportation bill, which faces its own objections from key Republicans and the White House. The upshot was that two major pieces of economic legislation before this Congress remained tied up in procedural and substantive disagreements involving mainly Republicans.... To revive Senate support for the long-stalled energy bill, Senate sponsors agreed to pare back various concessions to business and also delete a controversial provision that would bar product-liability lawsuits against makers of the fuel additive methyl tertiary-butyl ether, or MBTE, which has contaminated groundwater. Senate sponsors hope

the changes will rally enough support to enable GOP leaders to bring the bill to the floor for a vote. They say the underlying bill is urgently needed to promote more U.S. natural gas production to meet future needs, promote investments in the electricity grid and lead to a needed restructuring of the utility industry. But the legislation faces high hurdles. House GOP leaders adamantly oppose removing protections for MBTE makers....



Arizona & Western Power

Coalition Sues to Limit Drilling for Oil and Gas in New Mexico

[*New York Times web site, Feb. 5*] Houston - **A group of Navajo officials, cattle ranchers and environmentalists sued the Bureau of Land Management on [Feb. 5] over federal efforts to increase natural gas exploration in northwestern New Mexico, an area rich in mineral resources.** The lawsuit, filed in Federal District Court in Washington, also names the Department of the Interior as a defendant. It seeks to limit the drilling of oil and natural gas wells in the San Juan Basin of New Mexico. Federal officials recently said that they would permit nearly 10,000 new wells in the basin over the next two decades. Over the last year, Navajo officials and environmental groups have tried to roll back plans by the bureau to permit energy companies to explore for natural gas on religious sites and in areas they consider environmentally fragile. Despite Navajo protests, however, the bureau has approved the drilling plans and the construction of 1,000 miles of roads to give drillers access to the area. Many large gas companies, including the El Paso Corporation, Burlington Resources and BP [British Petroleum], are already looking for natural gas in the San Juan Basin, which accounts for seven percent of the nation's natural gas production. Many companies hope to increase activity in the area, which includes parts of the Navajo Nation, as natural gas prices spike. Several cattle ranchers joined the unusual coalition because, they said, they had few options for preserving their ranches from the disruption caused by widespread drilling and road-building. "What's happening now in Northwestern New Mexico will happen 10 years down the road in many other parts of the West," said Tweeti Blancett, a cattle rancher and hotel operator in Aztec, N.M. She said she was disillusioned with the Bush Administration's energy policies; she served on Mr. Bush's presidential campaign in New Mexico four years ago. Celia Boddington, a spokeswoman for the bureau in Washington, declined to comment on the lawsuit, which seeks to require greater consultation by federal regulators on the environmental and religious impact of increased gas drilling.

Governor Asks Feds to Rein in Gas Prices

[*Arizona Republic web site, Feb. 26*] **Arizona leaders sought federal help [on Feb. 25] in finding a solution to the state's disproportionately high gasoline prices.** Gov. Janet Napolitano wrote to President Bush, and Arizona Attorney General Terry Goddard asked U.S. Energy Secretary Spencer Abraham to investigate the high prices and "prepare recommendations to erase these inequities." From Jan. 25 to Feb. 25, the price of unleaded regular gasoline in metro Phoenix increased 31 cents per gallon, or 20 percent, to \$1.88. That compares with a national increase during the same period of eight cents per gallon, or five percent. "I am particularly troubled by the fact that gasoline prices began soaring even in advance of the Feb. 10, 2004, OPEC [Organization of the Petroleum Exporting Countries] announcement of output restrictions," Napolitano wrote in her letter to Bush. "And I am concerned that producers, refiners or other participants in the petroleum industry may be setting prices based on factors other than competitive free-market forces." Napolitano wrote that the recent price increases have a ripple effect on critical components of Arizona's and the nation's economy. "Because this is a national concern, I ask that you, Attorney General (John) Ashcroft, or another appropriate federal authority conduct a prompt and thorough inquiry into these issues," Napolitano wrote. "At a minimum, Arizonans and all Americans deserve a complete and credible explanation from the petroleum industry as to why prices have risen so significantly in the last several weeks." In his letter to Abraham, Goddard noted that the price spikes are occurring regularly in February and March when refineries switch over from making winter to summer fuel blends and when suppliers clear out winter-grade gas from terminals to make room for summer blends. "This is the same pattern experienced last year," Goddard wrote. Prices topped \$2 per gallon for the first time ever in metro Phoenix last March. "The problem happens during the transition period and stems from the apparent inability of oil companies and refineries to plan for a known and regularly scheduled change in inventory," Goddard wrote. The Arizona attorney general said that he believes there must be some sort of a common-sense approach to the problem and suggests that the Department of Energy step in to oversee the changeovers to ensure shortages and price spikes don't occur. "Perhaps something as simple

as allowing a week or longer to phase in the new product could greatly reduce or eliminate the price spikes that Arizona consumers are suffering,” Goddard wrote. Last year, Goddard formed a task force to investigate the high prices in March and in August after a pipeline break cut off gas supplies to the Valley. Goddard was hampered by Arizona's lack of price-gouging laws and had to focus on antitrust activities, of which he was unable to find evidence. He has urged the Arizona Legislature to pass a price-gouging law.

Salt River Project Board Mulls Rate Increase

[*Arizona Republic web site, Jan. 30*] **Salt River Project's [SRP] residential customers will see their electric bills jump an average \$2.65 per month if the utility's board of directors approves a proposed rate increase.** The state's second-largest electric utility said [on Jan. 29th] that it needs the 2.9 percent increase in residential electricity rates and a corresponding one percent hike in commercial rates to pay for new power plants and transmission lines. SRP General Manager Dick Silverman noted that the company has been adding about 30,000 residential customers a year and improvements are necessary to keep up with the demand. The utility has about 820,000 customers, primarily in Maricopa County. It would be the first increase in SRP's base rate in 13 years, Silverman said. A 3.1 percent increase in 2003 and a 2.5 percent jump in 2002 were adjustments for increased fuel and purchased power costs and are technically temporary. They could drop if costs decrease. The non-profit utility's rates are considered some of the lowest in the state and are thought to be between 10 and 15 percent lower than those charges by competitor Arizona Public Service Co. APS, the state's largest electric utility, has an approximately 10 percent rate hike pending before the Arizona Corporation Commission. SRP is not regulated by the commission and needs only board approval to raise rates. SRP will hold a series of public meetings on the rate increase and fuel adjuster changes with its board scheduled to vote on the proposal in April. If approved, the increase would take effect Nov. 1. Last year SRP paid \$288 million for Reliant Energy's Desert Basin Power Plant in Casa Grande and agreed to buy one-fourth of the capacity of a planned 400-megawatt expansion of the Springerville Power Plant. The company also has several transmission lines under construction.



Energy-Related Environment

Five Power Companies Commit to Clean Energy and Limits on CO2

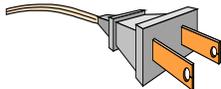
[*Environmental News Network web site, Feb. 24*] Washington, D.C. - **Five electric power companies from across the U.S. have answered a challenge from World Wildlife Fund [WWF] to become the first U.S. power companies to support a mandatory cap on heat-trapping carbon dioxide [CO2] emissions and confirm their commitment to clean energy.** “These commitments demonstrate that innovative electric companies can make the switch to clean energy and reduce heat-trapping CO2 emissions. Now energy companies and WWF are calling on the U.S. Congress to limit carbon dioxide pollution,” said Ginette Hemley, managing vice president of World Wildlife Fund.... The five companies – Austin Energy, Burlington Electric Department, FPL Group, Inc., Sacramento Municipal Utility District, and Waverly Light and Power – and WWF are pioneering a way to revolutionize the CO2-intensive electric power industry. The power sector that has relied heavily on fossil fuels such as coal, oil and gas, is responsible for 37 percent of all man-made CO2 emissions worldwide – the main heat-trapping gas associated with global warming – now has the opportunity to become part of the solution to global warming.... By switching to clean renewable energy and increasing energy efficiency through innovative technologies and processes, each of these five power companies will significantly reduce their heat-trapping CO2 emissions and demonstrate how the whole U.S. power sector can help protect our living planet from global warming by following suit.... Challenge is for power companies to support binding limits on national CO2 emissions; and undertake one or more of the following action targets: renewables as the source for 20 percent of their electricity sold by 2020, or increase energy efficiency by 15 percent by 2020, or retire the least efficient half of coal generation by 2020. Under commitments to WWF, renewable sources of energy may include solar, wind, sustainable harvested biomass, low-impact small-scale hydropower, geothermal, and methane recovery from landfills or farms. Energy efficiency efforts may include such innovative approaches as improving energy efficiency in power production, upgrading distribution technologies, transmission optimization efforts, or reducing overall demand from customers in a service territory as part of a strategy to diminish the need for new electricity generation capacity....

Global Warming Bigger Threat than Terrorism

[*Calstart web site, Feb. 5*] Ottawa - **Canadian Environment Minister David Anderson pronounced global warming as a greater long-term threat to humanity than terrorism, reports Reuters.** Not downplaying the real threat of terrorism, Anderson nevertheless pointed out that the problem of terrorism has historically waxed and waned, while the threat of global warming is clearly advancing. According to some recent reports, there may even be a “tipping point,” where the consequences would ramp up precipitously. Anderson disputed the assumption that compliance with the Kyoto protocol for greenhouse gas reductions would be economically crippling, while potential results of global warming – including potential impacts on agriculture – could wreak serious damage. “This is not a minor issue. That said, it will also have many positive effects – health benefits, productivity benefits,” he said.

State Orders Kinder Morgan to Increase Groundwater Testing

[*Arizona Capital Times web site, Feb. 4*] **Tests have revealed that gas spilled when a pipeline burst in a west Tucson residential area was more widespread and involved more gasoline than originally reported.** As a result, the Arizona Department of Environmental Quality [ADEQ] told Kinder Morgan Energy Partners, the pipeline owner, on Jan. 27 to take aggressive action to prevent the further spread of groundwater contamination. In a related matter, the House Utilities and Municipalities Committee gave a do-pass recommendation on Jan. 28 to H2030, which increases the fine up to \$1 million for a violation of state safety standards for gas and hazardous liquid pipelines. The break occurred July 30, and Kinder Morgan initially estimated about 10,000 gallons was spilled. The company has now revised its estimate to 19,000 gallons. In addition, it was originally thought the spill had been confined to the east side of Silvercrock Wash, but two monitoring wells sunk on the west side of the wash during the week of Jan. 19 detected gasoline there. “These latest findings of additional groundwater contamination on the west side of the wash as well as Kinder Morgan’s admission that the volume of gasoline released is double the original estimate indicates that Kinder Morgan may still not know how much gasoline was released,” said Steve Owens, ADEQ director. “For that reason, we have once again directed them to revise their calculations in light of this new information.” ADEQ has told Kinder Morgan to install additional groundwater monitoring wells by March 1 to determine the extent of contamination. “It has been almost six months since the release, and the company’s failure to determine the extent of the contamination in that amount of time is troubling,” Mr. Owens said. Kinder Morgan released a statement quoting Tom Bannigan, president of Kinder Morgan Products Pipelines, which said: “We are proceeding as quickly and safely as possible”.... The pipeline, which provides a portion of the gasoline supply for the Phoenix metropolitan area, was shut down following the break and prompted a run on area gasoline stations....



Energy/General

APS Tree-Cutting Project Will Cost Almost \$34 Million

[*The Daily Courier web site, Jan. 27*] Phoenix – **Arizona Public Service [APS] estimates it will cost the utility nearly \$34 million to cut down all the dead pine trees along its electrical power lines in Arizona.** APS isn’t including the cost in its pending Arizona Corporation Commission application for a rate increase, instead hoping that the federal government will help, said Alan Bunnell, APS manager of external communications. APS hopes the Federal Emergency Management Agency will change its mind and provide emergency money as Gov. Janet Napolitano requested in 2003, or that higher officials such as President George W. Bush will intervene. “This is really a federal issue,” said Mike Neal, APS manager of forestry and special programs. Arizona Corporation Commissioner Kris Mayes, a native of Prescott, agreed that the federal government should help. “It is a huge problem,” Mayes said. “Why are we potentially looking at the ratepayers picking up the \$40 million tab?” APS briefed the Corporation Commission Jan. 15 about its commissioned study that came up with the nearly \$34 million price tag. The federal government provided \$5 million to help California utilities cut down dead trees that the bark beetle epidemic has killed after years of drought, Neal noted. A clause in the APS permits for lines through national forests states that APS must remove trees that create hazards to its lines, said Steve Sams, public services program leader on the Prescott National Forest.... APS has 2,100 miles of power lines running through ponderosa pine forests in Arizona, and about 90 percent are on federal land, Neal said. Private landowners with lines on their property have been generally cooperative about APS efforts, said Robert Pleger.... Pleger hopes his crews can cut down all the dead trees along APS distribution power lines and transmission lines in the Prescott and Crown King areas before this year’s fire season begins in the spring. APS officials expect to finish all the work on the Arizona project by 2006....

Exxon Mobil Out \$6.75 Billion for '89 Oil Spill

[*Arizona Republic web site, Jan. 29*] Anchorage, AK - **A federal judge on [Jan. 28] ordered Exxon Mobil Corp. to pay about \$6.75 billion to thousands of Alaskans affected by the 1989 Exxon Valdez oil spill.** The ruling is the latest of several damage awards in the case over the past decade, the result of successful appeals in federal court by Exxon. The company plans to appeal again. [The Jan. 28th] ruling by U.S. District Judge Russel Holland ordered the Irving, Texas-based company to pay \$4.5 billion in punitive damages and about \$2.25 billion in interest. The money is to go to 32,000 fishermen, Alaska Natives, landowners, small businesses and cities hurt by the 11 million-gallon spill in Prince William Sound. "We have now closed the trial court doors for the last time in this litigation after 15 years," said David Oesting, lead attorney for those who sued. "We're definitely on track to the end of the entire dispute." The judge had been ordered by the 9th U.S. Circuit Court of Appeals to reconsider damages awarded earlier in light of a Supreme Court decision last year concerning punitive damages. "This ruling flies in the face of the guidelines set by the appeals court," company spokesman Tom Cirigliano said. He said the 9th Circuit has twice vacated Holland's decisions in the case. Holland reduced the Exxon punitive damages award to \$4 billion a year ago after a three-judge panel of the 9th Circuit sent the original \$5 billion verdict back, saying it was excessive.... The Supreme Court held that the ratio of punitive to actual damages should not exceed 9-1.

Heating Bills, Pump Prices Shock Consumers

[*USA TODAY web site, Feb. 9*] **Homeowners across the USA are seeing huge jumps in their heating bills this winter from a year ago.** Tight supplies, cold weather and high oil costs are keeping prices elevated for most heating methods. But while there are only about six weeks left in winter, there is little relief in sight for high energy costs. This summer, gasoline prices may beat last year's records. The average price at the pump last month hit the highest on record for the month of January at \$1.62. Prices will likely continue to be elevated through spring and maybe into summer. Last summer, gasoline prices hit \$1.75 around Labor Day. "It could be 10 percent higher," says Mark Baxter, director of the Maguire Energy Institute at Southern Methodist University, of this summer's price.... Data out last week confirm it's not just a problem for users of natural gas, which is used to heat more than half of U.S. homes. Retail heating oil prices rose to \$1.63 a gallon last week, up six percent from a year ago. Nearly one-tenth of U.S. homes are heated with heating oil....

Long Beach Natural Gas Terminal Seen as Potential Boon

[*Calstart web site, Jan. 28*] **A subsidiary has filed for federal and state permission to build a \$400 million import facility for liquefied natural gas (LNG) in Long Beach, Calif., reports *The Los Angeles Times*.** If approved, the first shipments could arrive in 2008, and supporters and opponents are weighing in to influence the outcome. Only four LNG terminals are currently operating in the U.S., and with the increasing demand for natural gas, terminals in a number of locations are under consideration. Advocates point to the local benefits in terms of jobs and revenue, as well as environmental benefits of natural gas, particularly in terms of reducing the use of diesel fuels. The LNG industry has had a relatively safe operation record, although in these days of heightened concerns about security and terrorism, opponents fairly point to potential hazards. The bottom line for many observers is that the additional gas supplies are needed, both for environmental and energy independence reasons. Government policy has created record demand for the clean-burning alternative fuel for both transportation and power generation, but did not address the supply side of the equation. Expanding terminal capacity to handle LNG imports is seen by many experts as the best solution, both in terms of addressing short-term needs and longer-term market stabilization.

National School Boards Association Endorses DOE Schools Program

[*U.S. Dept. of Energy web site, Jan. 28*] **National School Boards Association (NSBA) has unanimously endorsed the U.S. Department of Energy's (DOE) EnergySmart Schools (ESS) program.** NSBA President, Carol Brown, praised the program for "using a holistic approach to improving the teaching and learning environment by providing resources to encourage healthy high-performance schools and energy education for the consumers of tomorrow." ... ESS focuses on saving money for the country's schools through reduced energy consumption and creating a healthier and more learner-friendly classroom environment. The typical school district of 3,000 students spends about \$400,000 each year on energy related utilities, while those districts in large metropolitan districts may spend \$20 million or more. In most districts across the nation, utilities are the second largest budget item after personnel related items. Utilities are the largest single manageable item of a school budget after personnel related costs are

removed. About 25 percent of the energy used in a typical school is wasted because of energy inefficiency in its systems and operations. In the typical school mentioned above, this amounts to \$100,000 annually wasted – money that could be used by other instructional or physical plant programs. More than \$6 billion in energy is being used in our schools annually and with 25 percent, or about \$1.5 billion, wasted because of energy inefficiency.... DOE is helping improve school buildings around the country through better lighting, helping schools assess energy use, and introducing temperature control technologies to help make them more energy efficient....

OPEC Springs Surprise Oil Output Cut

[Reuters, Feb. 10] Algiers - **OPEC [Organization of the Petroleum Exporting Countries] on [Feb. 10] agreed [to] a surprise cut in output limits from April, sending world oil prices up sharply.** The deal slices production limits for the group that controls half the world's oil trade to 23.5 million barrels a day from April 1. Ministers said the Organization of the Petroleum Exporting Countries would also immediately eliminate 1.5 million barrels a day of leakage being pumped above existing supply quotas.... U.S. crude ... was up 66 cents at \$33.49 a barrel, valuing OPEC's reference basket well above the group's preferred \$22-\$28 target range. "It's a clever move by OPEC, giving the market some support before the second quarter," said Oystein Berentsen, head of crude trade at Norway's Statoil. "But given how much they are leaking, people will want to see how much of the cut they implement. There's a question mark over their credibility." The deal is designed to help defend oil prices as demand slackens and world oil inventories build after the northern hemisphere winter.... For consumer nations the deal looks like a threat to world economic recovery and a reminder that OPEC appears prepared to defend prices that are above its official \$22-\$28 target range. A spokesman for the White House said: "It is our hope that producers do not take actions that undermine the American economy ... and American consumers."

Transit Tax Will Head to Voters

[Arizona Republic web site, Feb. 4] **The Arizona Legislature overwhelmingly agreed [on Feb. 3rd] to ask Maricopa County voters in November to extend the half-cent transportation tax to build new roads, widen freeways and expand the Valley's light-rail system.** On a 25-3 vote, the Senate on [Feb. 2] joined House members in asking residents for a 20-year extension after the tax expires next year. Gov. Janet Napolitano has indicated she would sign the legislation. The measure will include \$2.3 billion for light rail in addition to \$9 billion for freeways, \$1.5 billion for street improvements and \$2.3 billion for buses. The projects are likely to give a shot to the economy by producing 10,600 jobs. They are also considered essential to coping with the Valley's burgeoning population. Light-rail opponents questioned the merits of spending any of the tax money on a system they believe is too expensive and ineffective. They lost the fight to give residents a chance to vote separately on light-rail funding. "We didn't get all we wanted," said Sen. Dean Martin, R-Phoenix, who favored a split vote on light rail.... Civic and business leaders succeeded in giving voters an up-or-down choice only on the entire transportation tax, but lost the battle to put the issue on the May ballot.



Industries & Technologies

Arizona Utility to Get FuelCell Energy Power Plant

[Hydrogen and Fuel Cell Investor web site, Jan. 28] **FuelCell Energy Inc., a Danbury, Conn.-based manufacturer of fuel cell power plants, has signed an agreement with Arizona-based Salt River Project (SRP) to provide and service a 250-kilowatt Direct FuelCell (DFC) power plant.** Financial terms of the deal were not released. The DFC300A power plant will be owned and operated by SRP and will be located at the Arizona State University East Campus in Mesa, Ariz. The unit will feed the electricity output into SRP's local grid. Delivery is expected in late 2004 or early 2005. "This new order is consistent with our goal of developing sustainable markets for our DFC products," said Herbert T. Nock, senior vice president of marketing and sales of FuelCell Energy, in a statement....

DOE Releases Report on Arizona Hydrogen Pilot

[Calstart web site, Feb. 25] **The U.S. Dept. of Energy (DOE) has issued a design report for the Arizona Public Service Alternative Fuel Pilot Plant in Phoenix, Arizona.** A DOE release described the pilot plant as a model alternative fuel refueling system, generating and dispensing hydrogen, compressed natural gas (CNG) and hydrogen/CNG blends (HCNG). The facility's system includes production,

compression, storage and dispensing of fuel for Arizona Public Service's fleet of internal combustion engine vehicles operating on hydrogen and HCNG, as well as CNG fuel. The pilot plant, as well as the hydrogen and HCNG internal combustion test vehicles are operated through a public/private partnership agreement between DOE's Advanced Vehicle Testing Activity, Electric Transportation Applications, Arizona Public Service and the DOE's Idaho National Engineering and Environmental Laboratory.

European Union Cars Spew Out Less Carbon Dioxide - Report

[Reuters, Feb. 12] Brussels - **European Union [EU] plans to reduce amounts of carbon dioxide belching out from new passenger cars received a boost on [on Feb. 12] with latest figures showing a fall of nearly 11 percent since 1995, the European Commission said.** Road transport generates more than a fifth of all carbon dioxide (CO₂) emissions in the EU, with passenger cars responsible for more than half of the pollution. But the Commission's latest report shows that carbon dioxide emissions fell by 10.8 percent between 1995 and 2002. The EU is aiming for a 35 percent drop by 2010 at the latest.... Under the 1997 Kyoto Protocol, the EU must cut its greenhouse gas emissions by eight percent by 2012. Carbon dioxide is widely seen as the main contributor to climate change. "If we want to reach our Kyoto targets, we have to lower CO₂ emissions from transport," Environment Commissioner Margot Wallstrom said in a statement. She added that all three associations would need to work harder to raise their average annual reduction rates.

Hydrogen Produced Efficiently

[Arizona Republic web site, Feb. 13] Minneapolis - **Researchers said [Feb. 12] that for the first time, they have produced hydrogen from ethanol in a prototype device small enough and efficient enough to heat small homes and power cars.** The development could help open the way for cleaner-burning technology at home and on the road. Current methods of producing hydrogen from ethanol require large refineries and copious amounts of fossil fuels, the University of Minnesota researchers said. The non-nuclear "reactor" is a relatively tiny two-foot-high apparatus of tubes and wires that creates hydrogen from corn-based ethanol. A fuel cell, which acts like a battery, then generates power. "This points to a way to make renewable hydrogen that may be economical and available," said Lanny Schmidt, a chemical engineer who led the study. The work was outlined in [the Feb. 13th] issue of *Science*. Hydrogen power itself is hardly a new idea. Hydrogen fuel cells already propel experimental vehicles and supply power for some buildings. NASA [National Aeronautics and Space Administration] has used them on spacecraft for decades. But hydrogen is expensive to make and uses fossil fuels. The researchers say their reactor will produce hydrogen exclusively from ethanol and do it cheaply enough so people can buy hydrogen fuel cells for personal use.

NAS Report Questions Bush Hydrogen Plans

[Calstart web site, Feb. 8] Washington, D.C. - **A new report from the National Academy of Sciences (NAS) confirms that the Bush Administration's vision for a widespread fuel cell vehicle (FCV) market is decades away from commercial reality, reports *The New York Times*.** While the President ventured in last year's State of the Union address that a child born in 2003 might have an FCV as a first car, the academy study characterized the Department of Energy's (DOE) goal of 2020 as "unrealistically aggressive." Part of this is because fuel cell technology is very expensive, substantially more expensive than internal combustion engines based on power and performance. The other part of the equation is the production of fuel and its distribution. The cheapest hydrogen production methods today still rely on fossil fuels like coal and natural gas, and still create pollution. Hydrogen production from renewable energy sources – based on solar, biomass, hydro or other non-polluting methods – must be provided on a cost-effective basis for hydrogen to be a viable solution. The report suggested that battery-electric vehicles – which have largely been abandoned by automakers – and hybrid-electric vehicles offer a more realistic solution, noting that the impact of hydrogen cars on environment and petroleum imports in the next 25 years will be minimal. Joseph J. Romm, the chief DOE official in charge of conservation and alternative energy in the Clinton Administration, commented, "People who want to build 'hydrogen highways' and drive a hydrogen car in 10 or 15 years on a mass scale, are just kidding themselves."