

OPEN MEETING AGENDA ITEM



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File Code: 3000

Date: OCT 06 2004

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Mr. Mark Spitzer

Chairman AZ CORP COMMISSION

Arizona Corporation Commission

Utilities Division

1200 West Washington

Phoenix, AZ 85007-2996

Arizona Corporation Commission

DOCKETED

Environmental Portfolio Standard

Docket No. RE-00000C-00-0377

OCT 15 2004

Dear Mr. Spitzer:

DOCKETED BY

As Regional Forester for the Southwestern Region of the Forest Service, I appreciate the opportunity to express my views regarding desirable revisions to the Arizona Environmental Portfolio Standard. The Environmental Portfolio Standard (EPS) is a very valuable tool for the residents of Arizona because it is bringing in many new renewable energy alternatives. By revising the EPS I believe we could increase renewable energy capacity significantly.

We have been supportive of the new woody biomass electric plant in Eagar Arizona. This three-megawatt power plant is a good example of using waste from forest restoration operations to generate clean renewable energy. The Forest Service granted Mr. Hall over \$400,000 to begin development of this plant because we believe this is an example of what can be done.

Utilizing the residue from forest restoration projects is important to the Forest Service. We must find markets for the excess material that needs to be thinned from our forests. This utilization is needed to help reduce costs of treatment, allowing us to protect many more acres and communities. We have a limited budget, which must be leveraged to the best advantage of the citizens. Your EPS can be a crucial element in this effort.

We are bringing together a collaborative group of interested parties including land management agencies, environmental/conservation groups, community leaders, tribal leaders, independent scientists, woods industry representatives, and energy industry representatives. This group will be asked to determine the parameters of collaboratively designed forest restoration projects that all could support and advocate for. We would then ask for special consideration in the EPS for material coming from projects, using these forest restoration parameters. This material would be used to produce renewable energy while helping to reduce the threat of catastrophic wildfire, protecting communities and property, restoring the health and productivity of our watersheds and forest, and providing numerous local jobs harvesting and transporting the fuel.

Specifically we would like to recommend the following:

1. **Increase the surcharge to support increased development of alternative energy resources.** The amount of increase needs to be carefully considered, but with the large number of environmental benefits of renewable energy, further investment seems



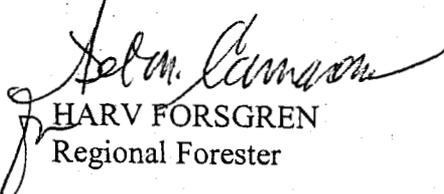
reasonable. The surcharge has helped pay for the one three-megawatt power biomass power plant in Eagar. We need many more facilities like this. A reasonable increase to fund further investment seems important.

2. **Increase the portfolio percentage.** We believe that there is enough wood waste from all sources of land to support several moderately scaled facilities. We would like to suggest that the proposed collaborative group also take on the question of sustainable supply and recommend a percentage of the renewable energy that would be dedicated to forest restoration residue. From this percentage they could recommend a reasonable increase in the EPS that is both feasible and sustainable. We would ask that a portion of the EPS be required to come from qualifying Forest Restoration projects.
3. **Eliminate the EPS expiration date.** The expiration date should be dropped to stimulate investment and ensure payback on the investments.
4. **Include credit for thermal energy as well as electrical energy.** One of the core goals of the EPS is to replace fossil fuels with renewable fuels. A significant portion of the current energy load is already going for heat. Technology for heat from wood, both residential and commercial is very mature, can be done efficiently, and with very little air emissions or ash. The technology exists to replace many heating systems with clean wood fired systems. Promoting this conversion will go a very long way in replacing fossil fuels with renewable fuels. Thermal energy from biomass is also more economical and efficient when comparing biomass energy with conventional fossil fuel energy.

In summary, changes to the EPS that accelerate Forest Restoration Renewable Energy will not only provide significant additional clean renewable energy but will help protect forest communities and restore forest health throughout the state.

Thank you in advance for your consideration of the changes suggested above. Should you have any questions or wish to discuss this further, please do not hesitate to call Mr. Jerry Payne of my office at 505.842.3391.

Sincerely,

  
HARV FORSGREN  
Regional Forester

cc:

Representative Tom O'Halleran  
Arizona House of Representatives

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