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AZ CORP COMMISSION
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February 17, 2004

The Honorable Joe Donaldson
Mayor, City of Flagstaff
211 West Aspen Avenue
Flagstaff, AZ 86001

RE: Environmental Portfolio Standard, Docket No. RE-00000C-00-0377

Dear Mayor Donaldson:

Thank you for your letter in support of the Environmental Portfolio Standard ("EPS"). I appreciate your input and your specific interest in the development of a biomass-energy industry in Arizona. I am proud to announce that this Commission has approved the continuation of the annual increases that will culminate in a renewable portfolio requirement of 1.1% by 2007. While this action does not address all of your concerns, I believe it is a positive step and sends the message that the EPS here to stay. We are not going back to the days when energy was produced from fossil fuels only.

The Commission has also directed staff to hold workshops to discuss the following items:

- Increasing the total portfolio requirement;
- Adjusting the funding level, as well as exploring other funding options;
- Extension of the term of the EPS beyond 2012;
- Restoring funding for Demand-Side Management ("DSM");
- Adjusting the required mix of the portfolio, including the consideration of new and emerging technologies.

This series of workshops will commence on March 5, 2004, with a second workshop tentatively scheduled for April 5, 2004. If you wish to submit written comments, Staff requests that you do so as an e-mail attachment with the name of your organization at the top of the document by February 20, 2004. Send your comments to either of the following addresses: rwilliamson@cc.state.az.us or bkeene@cc.state.az.us. Staff will post all comments on the Commission website by February 25, 2004.

Thank you again for your input and I look forward to your participation at the upcoming workshops.

Sincerely,

William A. Mundell, Commissioner
Arizona Corporation Commission

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