



**WESTERN
GOVERNORS'
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July 20, 2005

The Honorable Joe Barton
Chairman
House Committee on Energy
and Commerce
2125 RHOB
Washington, DC 20515

The Honorable Pete Domenici
Chairman
Senate Committee on Energy
and Natural Resources
SD-364 DSOB
Washington, DC 20510

The Honorable John Dingell
Ranking Minority Member
House Committee on Energy
and Commerce
2125 RHOB
Washington, DC 20515

The Honorable Jeff Bingaman
Ranking Minority Member
Senate Committee on Energy
and Natural Resources
SD-364 DSOB
Washington, DC 20510

Dear Representatives Barton and Dingell and Senators Domenici and Bingaman:

We strongly support your efforts to craft a national energy policy resulting in a diverse energy portfolio that includes conventional and alternative energy resources, energy efficiency and conservation, and accelerated development and deployment of promising clean energy technologies such as wind, geothermal, biomass, solar, clean coal and advanced natural gas. These technologies are relatively untapped but hugely promising, particularly in our region. Meanwhile, coal, oil, natural gas and hydropower will continue to play a vital role in our nation's energy needs.

As you know, the Western Governors' Association is currently working on a Clean and Diversified Energy Initiative that will examine the feasibility of and actions that would be needed to develop 30,000 MW of clean energy in the West by 2015, and to achieve a 20 percent increase in energy efficiency by 2020. In order to identify specific policies and other mechanisms that will help the West meet the 30,000 MW goal, we have created a Clean and Diversified Energy Advisory Committee (CDEAC) comprised of Western state energy officials and regulators, utility industry executives, renewable and energy efficiency advocates, and other energy experts from throughout the West. The CDEAC has convened nine separate task forces to look at individual generation technologies and transmission issues. Further information about the CDEAC and its members can be found at

<http://www.westgov.org/wga/initiatives/cdeac/htm>.

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The CDEAC will issue its final report by April 2006. However, based upon preliminary reports of the task forces, the CDEAC has indicated to us that many of the provisions in the two versions of H.R. 6 have the potential to positively affect the West's ability to meet these goals. We have outlined their recommendations below, which we consider to be of vital importance to the West.

The Initiative is also focused on identifying and meeting the West's electricity transmission needs for the next 25 years. These efforts have already borne fruit. For instance, earlier this year four of our states (WY, CA, UT and NV) signed an MOU regarding the development of the largest high-voltage power line in the country. With the federal government's support, we fully expect to see other such efforts moving forward in the near future, including projects throughout the West.

We are committed our goals and fully believe they can be accomplished through a combination of existing and new state and federal policies and incentives. We believe that it is crucial for the West to diversify our energy resources in order to:

- a. Protect the Western economy from energy shortages and price spikes. Uncertainty of reliability and price has been harmful to businesses and consumers, and is disruptive to local and regional investment.
- b. Accommodate the energy needs of a growing, mobile Western population.
- c. Better position the Western energy system to respond to new environmental challenges, including potential limitations on emissions.
- d. And, take advantage of the development of new technologies that will lower the cost of renewable energy and reduce the cost of controlling emissions from the West's vast fossil fuel resource base.

On behalf of all of the Western Governors, we ask you to support the following as you complete the conference report for HR 6:

Renewable Energy Supplies

- A long-term extension (preferably for five years) of the Section 45 Production Tax Credit for wind, geothermal, and biomass technologies. This would undoubtedly provide the most effective incentive to increase the production of renewable electricity in the West. We will need to utilize all available sources to achieve our 30,000 MW goal. Therefore, we further urge you to ensure that the credit for open-loop biomass technologies is raised to a level of parity with the other technologies.

- The solar tax provisions outlined in the Senate bill, including the 30 percent investment tax credit for residential and commercial applications.
- Reauthorization of the Renewable Energy Production Incentive (REPI) program as well as the Clean Energy Bonds authorized in the Senate bill. Equivalent mechanisms that allow Tribes through joint ventures to effectively participate in renewable energy production should also be enacted. This would ensure appropriate incentives for public power entities and Tribes to develop renewable sources of electricity.
- The geothermal leasing and permitting provisions contained in the Senate bill.

Clean Coal

- The 20 percent investment tax credit for clean coal facilities, as well as the Clean Energy Bonds for public power entities.
- The \$1.8 billion authorization for the President's Clean Coal Initiative with at least one pilot project located in the West.
- The Innovative Technologies Incentives that are contained in the Senate bill.

Energy Efficiency

- The energy efficient commercial building deduction contained in the Senate bill.
- The energy efficient new homes credit contained in the Senate bill.
- The business property deduction for efficient heating, cooling, and water heating equipment contained in the Senate bill.
- The personal tax credit for energy efficiency improvements to existing homes contained in both bills.
- The 10 percent tax credit for combined heat and power systems contained in the Senate bill.

Transmission Infrastructure

- A provision providing tax exempt status for revenue bonds issued by state-owned transmission authorities is needed to foster new transmission construction and investment in the West. Kansas, North Dakota, South Dakota and Wyoming have all created public transmission authorities (with New Mexico in close pursuit).
- The accelerated depreciation for electricity transmission assets contained in the House bill.
- The mandatory reliability provision contained in both bills.
- Participant funding should be one of the many cost allocation options available to the West as we consider our future transmission needs. However, any attempt to limit those options by requiring FERC to approve participant funding for transmission projects could have serious adverse effects on the West's ability to maintain an adequate transmission infrastructure. The Western Governors' Association would oppose any conference report that mandated participant funding for transmission cost allocation in the West.

Conventional Energy Production

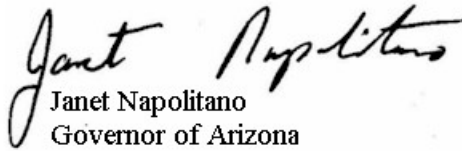
WGA supports policies to increase our domestic production of conventional energy sources including natural gas, coal, and oil.

- Policies that will encourage new natural gas pipeline construction.
- Pilot programs for CO₂ injection for EOR projects.
- Streamline state, tribal and federal processes for siting new generation, electric transmission and natural gas pipelines while protecting public health, safety and the environment.
- Enable exploration and development of promising domestic oil, gas, coal resources where lands, air, water, fish and wildlife and other environmental resources can be protected.

As we mentioned earlier, we believe enactment of these provisions to be vital to the West. Thank you for your attention to these extremely important matters. We look forward to working with you to secure the Nation's energy future.

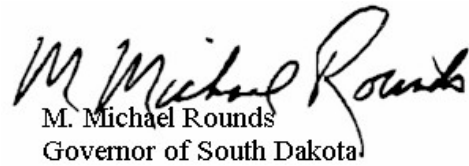
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Sincerely,



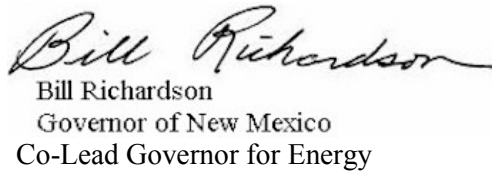
Janet Napolitano
Governor of Arizona

WGA Chair

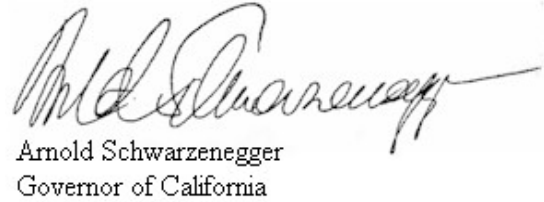


M. Michael Rounds
Governor of South Dakota

WGA Vice Chairman

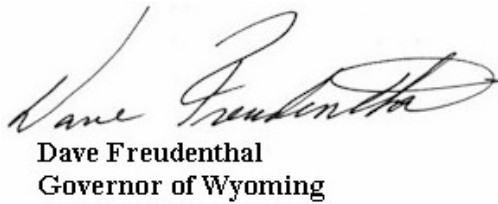


Bill Richardson
Governor of New Mexico
Co-Lead Governor for Energy



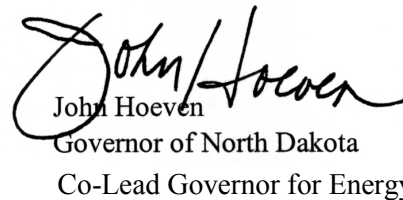
Arnold Schwarzenegger
Governor of California

Co-Lead Governor for Energy



Dave Freudenthal
Governor of Wyoming

Co-Lead Governor for Energy



John Hoeven
Governor of North Dakota

Co-Lead Governor for Energy

cc: Members of the Energy Bill Conference Committee
Western States Senate Coalition
House Western Caucus