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Congress of the United States
House of Representatives
Washington, DC 20515-0511
October 19, 1999

Mr. David S. Guzy
Chief, Rules and Publications Staff
Minerals Management Program
P.O. Box 25165, MS 3021
Denver, CO 80225

Dear Mr. Guzy:

Thank you for the opportunity to comment, on behalf of the Northern California Power Agency (NCPA), on your services' use of the Netback procedure to value geothermal resources.

When the Netback procedure was introduced by the MMS in 1988 as the preferred method to value geothermal resources not sold under an arms-length contract, members of NCPA were not able to switch to the new valuation method. The Agency and MMS were unable to clearly establish an appropriate market value of the electricity being produced, as it was being used exclusively by the public agencies for their customers. Consequently, the royalty payment rate on steam production continued to rise after 1988. Meanwhile, others' royalties fell along with the price of electricity. This resulted, in NCPA project owners collectively paying royalties to the MMS at a rate twice as high as private companies that were selling their steam to other producers.

However, with the passage of AB 1890, the deregulation of the California electric market removed the previous pricing problem. Electricity prices are now posted each day by the California Power Exchange. These prices establish the value of electricity within each geographic region. With this change, in March 1999 NCPA was able to initiate use of the Netback procedure to calculate royalty payments based on electricity value, on behalf of its members.

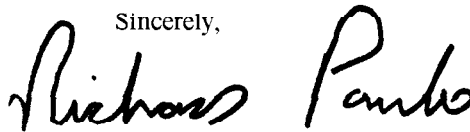
The privately owned companies that perform identical operations on adjoining BLM lands at The Geysers sell electricity to this same market. The continuation of the Netback procedure is a necessary part of staying competitive in the now deregulated electrical energy business.

I expect that by the use of the Netback, our future geothermal royalty payments will be less than previous over the near term. In the long-term, the royalty payments will rise as the price of electric power increases.

NCPA and its members should be afforded the use of the same regulations as all others in order for the field to be equally competitive with private interests in the geothermal, oil and gas business. It is important to keep geothermal electricity competitive in California's rapidly changing electric market.

Thank you for your consideration of my comments.

Sincerely,



RICHARD W. POMBO
Member of Congress