

# Committee on Resources

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Testimony of Jeanne Connelly

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Calpine Corporation

before the

U.S. House of Representatives Committee on Resources

Subcommittee on Energy and Minerals

July 22, 2003

Mrs. Chairman and Members of the Subcommittee:

Thank you for inviting Calpine Corporation to testify at today's hearing on H.R. 2772, legislation introduced by Rep. Gibbons to amend the Geothermal Steam Act. I am Jeanne Connelly, Vice President, Federal Relations for Calpine Corporation.

Calpine is the largest producer of electricity from geothermal resources in the United States today, with nearly 800MW on-line at The Geysers in Northern California, and additional development underway near the California/Oregon border in the Glass Mountain Known Geothermal Resource Area.

The Committee is aware of the extraordinary delays involved in development of the two new sites in Glass Mountain from testimony at previous hearings. We are pleased that the National Energy Policy developed by the Administration recommended that Secretary of Interior Norton and Secretary of Energy Abraham take action to increase renewable energy production on public lands. As a result, those two agencies, as well as the Department of Agriculture and others, have initiated activities to carry out this goal. Calpine has supported these efforts and wishes to applaud the Administration for the progress it is making.

Today, the Subcommittee is considering legislation that will go even further to promote the development of new geothermal resources. We believe that there is considerable geothermal potential in the Western United States that is undeveloped and that H.R. 2772 will help encourage future production.

We applaud the proposal to move towards competitive leasing, and requiring leases within the same reservoir to be leased as a block. When we have examined areas for future development, it is clear that fragmented ownership of the resource is a significant barrier to companies interested in new development.

We also applaud the proposal to move to a gross proceeds royalty. Calpine has an agreement with the Department of the Interior which places its leases at The Geysers under a gross proceeds formula, similar to that used by the State of California for its leases. Calpine initiated discussions with the Department to move in this direction after consolidating most of the leases and production facilities at The Geysers. The change has significantly reduced the administrative costs for both Calpine and the Department of Interior, and has provided more stability for local governments who rely upon our royalty payments to provide needed public services.

The near term royalty relief provided by the bill is extremely important as new projects on untapped geothermal leases compete for power purchase agreements from electric utilities. Royalties and property taxes represent two of the three largest operating costs for geothermal power projects, behind operating personnel. The relief will help to bring new geothermal resources into production after a lengthy hiatus.

While we believe that the Forest Service and Bureau of Land Management have improved their coordination under this Administration, we support the direction the legislation takes requiring these agencies to develop

specific procedures for working together. Cooperation between the Forest Service and BLM is an essential ingredient in ensuring future geothermal development.

H.R. 2772 also establishes clearer lease terms and conditions. They support and encourage development of federal leases, while providing companies with fair terms and the security of holding the lease as long as it remains in production. These are essential elements for investors in new geothermal projects.

We wish to express our support for H.R. 2772, and thank the Subcommittee for giving us this opportunity to present our views.