

STATE CAPITOL  
P.O. BOX 942849  
SACRAMENTO, CA 94249-0001  
PH (916) 319-2001  
FAX (916) 319-2101

DISTRICT OFFICES:  
50 D STREET, SUITE 450  
SANTA ROSA, CA 95404  
PH (707) 576-2526  
FAX (707) 576-2297

235 4TH STREET, SUITE C  
EUREKA, CA 95501  
PH (707) 445-7014  
FAX (707) 445-6607

104 WEST CHURCH STREET  
UKIAH, CA 95482  
PH (707) 463-5770  
FAX (707) 463-5773

E-MAIL ADDRESS:  
virginia.strom-martin@assembly.ca.gov

Assembly  
California Legislature  
VIRGINIA STROM-MARTIN  
ASSEMBLYMEMBER, FIRST DISTRICT



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DEVELOPMENT, CHAIR  
SCHOOL FUNDING REFORM

October 6, 1999



Mr. David S. Guzy, Chief  
Rules and Publications Staff  
Minerals Management Service  
Royalty Management Program  
P.O. Box 25165, MS 3021  
Denver, Colorado 80255

Dear Chief Guzy:

This letter is written in support of Lake County's bid to change the current geothermal valuation method referred to as "netback," to a fairer method, that of the "rate of return" method.

The current "netback" method of calculating revenues from geothermal resources has a negative financial impact on Lake County and other local governments. The Board of Supervisors on October 5, 1999, voted 5-0 to recommend changing the formula to the "rate of return" method of valuation.

During the last thirty years, federal, state and local governments have invested tens of millions of dollars in the geothermal industry in the areas of research and development, direct and indirect impact mitigation, and environmental monitoring. Over \$16 million in state and federal funding has been invested in the successful Southeast Geysers Effluent Project (SEGEP) that benefits the geothermal industry by helping to sustain the resource indefinitely.

Currently, Lake County is seeking an additional \$12 million in public and private financing to construct an interconnection pipeline from another regional wastewater facility to SEGEP, referred to as Clear Lake Basin 2000. I have supported the Basin 2000 project for many years and most recently, was successful in establishing a \$2 million grant for the Basin 2000 project in the "Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Act of 1999," a ballot measure to be voted on March, 2000.



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Public investment in these geothermal projects has been substantial, and I believe they should enjoy a reasonable return on that investment. The current method of valuation of Federal Geothermal resources is not consistent with the intent of Congress when it passed the Geothermal Steam Act of 1970, in that it provides less to the public sector. I respectfully ask you to do what is right and what is fair; to change the method of valuation from "netback" to "rate of return" to give Lake and other California counties the rate of return they deserve. Thank you for your consideration of my request.

Sincerely,

A handwritten signature in black ink that reads "Virginia Strom-Martin". The signature is written in a cursive style with a long horizontal flourish at the end.

Virginia Strom-Martin  
Assemblymember, First District

VSM:hb

cc: Lake County Board of Supervisors  
Harry Bistrin, Ukiah District Office