

ARIZONA STATE LEGISLATURE
Forty-sixth Legislature – First Regular Session

JOINT LEGISLATIVE HEALTHY FOREST TASK FORCE

Minutes of Meeting
Tuesday, October 7, 2003
House Hearing Room 5 -- 2:00 p.m.

Chairman Chase called the meeting to order at 2:11 p.m. and roll call was taken by the secretary.

Members Present

Senator Arzberger
Senator Jarrett, Cochair
Michael Anable
Charlie Ester

Representative Chase, Cochair
Ben Nuvamsa
Lon Porter

Members Absent

Senator Brown
Dr. Wally Covington
Jack Metzger

Representative Hart
Representative Konopnicki

Speakers Present

Charles Hendrickson, Arizona Public Service Company
Michael Anable, Foray Land Consulting
Sean Noble, Chief of Staff, Office of Congressman John Shadegg
Lon Porter, Precision Pine & Timber, Incorporated
Molly Greene, representing Salt River Project (SRP)
Jack Whittier, Consultant, McNeil Technologies
Peter Johnston, Pinnacle West/Arizona Public Service Company (APS)
Sandy Bahr, representing Sierra Club

Call to Order

Chairman Chase remarked that the next meeting will be held sometime around October 29, 2003.

Forest Thinning Partnership

Charles Hendrickson, Arizona Public Service Company, related that there is too much fuel throughout the forests in Arizona, particularly northeastern Arizona, and the average cost to treat a forest to healthy standards is between \$400 and \$800 per acre. Unfortunately, in the process of treating forests, many times the excess fuel is placed in piles and burned. While this is not as disastrous as a forest fire, a substantial amount of smoke is created, which is damaging to the environment. Since the material removed from the forest cannot be landfilled and is difficult to

burn, the solution is to bring an oriented strand board (OSB) plant to Arizona to convert the fuel into a material that generates enough value to pay for thinning the forest. He explained that OSB is made from small diameter trees that are chipped so the strands have structural strength, then pressed and glued together. It is probably the most common building material product available today to build houses; in fact, the U.S. government is attempting to corner the OSB market for rebuilding Iraq. The product already has a built-in market so no marketing is needed.

Mr. Hendrickson related that he talked with two manufacturers, primarily Louisiana Pacific, which foresees a huge market in Arizona, southern California, and Nevada. Currently, the OSB that comes into the southwestern U.S. is from eastern and western Canada. A manufacturer in Arizona would realize approximately 23 percent additional margin because of costs that would not be incurred in transportation. He stated that Louisiana Pacific would have to invest about \$100 million to build a local plant that would employ about 300 people. That kind of investment will not be made without a 10-year guaranteed supply of forest products, since the plant would need to operate for 10 years in order to amortize the cost of the plant, or some form of financial protection against premature plant closure. Under existing federal rules and guidelines, it is difficult to guarantee a 10-year supply. New laws allow the Forest Service to give 10-year stewardship contracts, but those are unenforceable because of the process to treat the forest called the National Environmental Protection Act (NEPA) whereby the Forest Service conducts studies in an area on archeological sites, biological diversity, etc., before anyone is allowed to harvest wood. The Forest Service had five years worth of NEPA-approved areas to treat; however, part of that was burned in the Rodeo-Chediski fire, so now there are only two years of what could be called a guaranteed supply.

He said a community solution would be if the Northeastern Arizona Coalition of Counties formed a group and became an intermediary between an OSB manufacturer and national forests. If the manufacturer had free access to treat the forest, enough value could be obtained to pay to clean up the forest. Since the cost to treat the forest would normally be \$800 an acre, perhaps it would be appropriate for the Forest Service to pay \$150 an acre and then place the proceeds, less a small amount of initiated costs, into a security fund. After five years of operation, \$20 million would be built up in the security fund. If, at the end of five years, access was lost to the national forest, the security fund would be at risk and given to the OSB manufacturer for indemnification losses. The \$100 million invested would not be fully recovered, but those funds could help in relocating the plant and place a sizeable "burr under the saddles" of the communities to keep the fund on hand. If the security fund is never forfeited, the money would be refunded to the counties.

Mr. Hendrickson indicated that if responsible individuals representing the environmental community were to participate in monitoring the condition of the forest, those people would probably have ideas for treating the forest and could become part of the solution. He explained that an OSB manufacturer does not require chips any bigger than 12", which is fairly noncontroversial with most environmental groups. He noted that the Arizona Department of Commerce is considering creative ways to guarantee the \$20 million. He added that there are currently industries in northeastern Arizona that use forest products, and new industries would probably locate to the area. There would be room for the industries to operate with the coalition.

In conclusion, Mr. Hendrickson stated that Louisiana Pacific is very interested in locating to northeastern Arizona. The company's board will meet in October 2003 to decide whether to

enter into land negotiations, etc., and the final decision will be made in January 2004. If it does not work out, this model would suffice for other wood manufacturers as well, but because Louisiana Pacific has been involved in current discussions, the company is currently in first place. He added that this process would create tremendous synergy for other companies. The manufacturer could not crop off the limbs, take the stem, and leave the limbs lying on the ground, so the limbs would probably become the responsibility of a pellet manufacturer or biomass generator.

Mr. Hendrickson advised Mr. Nuvamsa that burnt wood can be used as long as it is not totally deteriorated. Louisiana Pacific would not be on-line for 18 months if the decision is made to locate in Arizona in January 2004, so most of the wood burned in the Rodeo-Chediski fire would probably be too far gone to use; however, other trees infested by insects are deteriorating and could be taken out of the forest and used in an OSB facility.

Chairman Chase asked if there is any interest in utilizing trees from the Aspen fire in Tucson. Mr. Hendrickson responded that the trees should be within 150 miles of the plant site for this process to be economical, although sometimes things are done because it is the right thing to do.

Senator Jarrett remarked that there was discussion during a meeting she attended in Snowflake that the state could possibly support five OSB plants. Mr. Hendrickson responded that Louisiana Pacific recently finished a very detailed study called *The Three Forests* (Coconino, Apache Sitgreaves and Tonto), which estimates that in full production, about 25 percent of those forests would be required to be treated within a 10-year period. In that case, it would take a full 40 years to treat the entire forest, by which time it would be necessary to start again. He added that he does not believe the state could support five plants.

He advised Senator Jarrett that other sizeable industries are considering locating to Arizona, one in particular in the Flagstaff area. Discussions would have to take place to determine if this model would be appropriate, but arrangements have probably already been made in the Flagstaff area.

When Mr. Ester asked the U.S. Forest Service's reaction to the plan, Mr. Hendrickson stated that the Forest Service was approached and many meetings were held on the issue. A meeting is planned at the end of October 2003 to discuss how to contractually make this happen, and the Forest Service supports the plan.

He indicated to Mr. Ester that he has been told that chips as small as 2 inches can be used; however, in talking to engineers and people who "make the rubber hit the road," 4 inches is the smallest that is commercially viable. Larger pieces can be used, but would probably be triaged since those would have a greater value elsewhere.

Healthy Forest Pilot Program

Michael Anable, Foray Land Consulting, proposed a Healthy Forest Pilot Program whereby the government would retain ownership of logs and receive revenue from sale of timber from an identified region of forested land, for a period of 10 years, upon approval and start-up funding from Congress (Attachment 1). Revenue from sale of the timber could be used to fund the next thinning project.

Mr. Nuvamsa commented that the proposal is similar to what has been discussed with White Mountain tribes where development of a new forest management plan is underway. In looking back at how the plans were previously developed, he surmised that the focus was on how to feed the timber mill. He agreed that priorities should be shifted as proposed by Mr. Anable so the forest is managed, not necessarily for a harvesting program, but for health reasons, and then prescriptions could be developed for managing the forest on a sustained basis. He added that he does not understand the argument to concentrate on urban interface areas because the interior of forests is equally important.

Mr. Porter stated that he appreciates the idea of shifting the focus. Everyone wants healthy forests, but it is necessary to be careful not to discourage those in the free enterprise system. Mr. Anable agreed, noting that under the proposal industry would receive the forest products. He is not proposing that the government build or manage the sawmill, but control what is harvested, and there would be no incentive for the private sector on how much is harvested or the prescription. He pointed out that the proposal states that grants or low-interest loans may be necessary for establishment of forest products industries, which is something the Congressional delegation would need to consider.

Mr. Porter remarked that the industry would have to be economically feasible. Senator Jarrett agreed that an industry will not invest in something that will not be profitable, which is the American way. She added that some method should be found to control what is cut while allowing private industry to make a profit. Mr. Anable responded that there is a cap in the proposal to prevent the timber industry from influencing prescriptions. If there is no profit for the timber industry, the industry should not influence prescriptions, so the prescriptions would have everything to do with the forest and nothing to do with how much money can be made. He added that he does not expect the environmental community to open-arm any proposal, so the pilot should probably involve thinning only to the amount that science deems would make the forest healthier and more fireproof. This is a pilot program intended as a "foot in the door" to reach an agreement on prescriptions. The project is large scale for 10 years, which seems to be the magic number for industry, and intended to interest industry investment.

Senator Jarrett noted that she invited several people from environmental groups to participate on the Task Force, but the offers were rejected.

Mr. Nuvamsa remarked that OSB plants, pellet mills, biomass plants, and micromills are tools in managing the forest. He indicated that it is a tremendous challenge at the lumber mill on the reservation to adapt to the type of building materials that have been available over the decades in order to sustain a good forest.

Update on Federal Legislation

Sean Noble, Chief of Staff, Office of Congressman John Shadegg, related that he grew up in Show Low so the Rodeo-Chediski fire "hit home," and he appreciates the Members taking time to deal with this issue. He advised that the process of moving the Healthy Forest Initiative through Congress has been painfully slow. Congressman John Shadegg was involved in negotiations late last year, but agreement was not reached before Congress adjourned. The House, however, did pass the Healthy Forest Initiative on May 28, 2003, and last week the

Senate came up with a bipartisan compromise, which Senators John McCain and Jon Kyl were instrumental in negotiating.

Mr. Noble provided a summary (Attachment 2) and the compromised language from the Senate (Attachment 3), noting that Title 1 of H.R. 1904 was negotiated. He anticipated that the legislation will move through the Senate shortly and on to Conference Committee, which should be interesting. An item that could be controversial is the requirement that a minimum of 50 percent of funds used for thinning occur in the wildland-urban interface. Some Members in the House cannot focus only on the wildland-urban interface, especially as it is defined under the legislation where it could be a half mile, because if something is not done on the interior lands and a huge ground fire occurs, a half mile is not enough buffer to protect communities.

Mr. Noble added that while there is some optimism, the outcome is yet to be seen. It is near the end of the year; however, the Session does not end. If Congress adjourns for Christmas and nothing has happened, the Members can begin where they left off. Hopefully, something will be sent to the President's desk for the fire season next year. He added that another issue is whether there will be time to actually effect any change. He does not think so, although the President is moving on some administrative issues. He pointed out the following provisions in the compromised legislation:

- The wildland-urban interface is defined as a half mile unless extenuating circumstances such as slopes, etc., exist.
- A good portion relates to treating areas with water quality effects on communities, which impacts Arizona. This was included due to the efforts of Senators McCain and Kyl to protect the watershed since the entire ponderosa forest is essentially a watershed. These administrative processes could be used to thin those areas more quickly than would otherwise be done.
- The House and Senate version include a limit of 20 million acres.

Mr. Noble noted that some members of the environmental community who want this to work are saying this is as far as they will go, and if any changes are made, they would not support the proposed language. In fact, some Democrats indicated they would be a no vote if anything changes on the compromise. Another obstacle posing an immediate threat to Arizona is that the Center for Biological Diversity filed a motion with the federal court to enjoin the Fish and Wildlife Service from issuing biological opinions, written concurrences, or incidental take statements relating to the Mexican Spotted Owl until Fish and Wildlife finalize their established critical habitat designation, which should be done in January 2005. If the court concurs with the request, any kind of thinning project in Arizona would be shut down until Fish and Wildlife get this critical habitat. He submitted that if the Center for Biological Diversity really had the interest of the Mexican Spotted Owl in mind, it would be championing the healthy forest process of thinning the forest to make it less prone to wildfire, which is the greatest threat to the owl.

Mr. Noble, referring to Mr. Anable's comments, stated that elements within the radical environmental movement do not want anything cut and currently place blame on industry. The environmental community knows there is not enough money in the federal treasury to pay for treatments that need to be done across the nation, and the only way it can be done is with

economic incentives for private industry, so discouraging industry involvement would ensure there would never be enough in the till to treat 20 million acres with taxpayer money. He applauded Mr. Anable's efforts in developing the proposal and indicated that he is anxious to talk to him about it. He added that Senators McCain and Kyl would appreciate kudos for helping break the logjam in the Senate and could use encouragement while going through this process.

Senator Jarrett indicated that she has some videotapes that can be used to emphasize to easterners that there is a forest in the southwest that needs to be aggressively protected and showing the devastation from fires that has occurred. Mr. Noble responded that videotapes, etc. are very instructive and helpful because there are more members of Congress east of the Mississippi than west who need to understand that all of Arizona is not a desert. He indicated that the best way to provide materials to the Congressional delegation is by mail to the state offices.

Chairman Chase remarked that during the Aspen fire, she took several photographs that were sent with a letter to all of the Congressmen and women on the Committees that deal with this issue. She did not hear back from anyone, but hopes they were seen because this is very important.

Mr. Noble advised that the legislation authorizes \$760 million to implement the program. It is not the actual appropriation, which probably would not happen until at least 2005. He indicated to Mr. Anable that because of the large debate going on in trying to pass legislation, he would anticipate some resistance to the proposed pilot project; however, he is willing to pass it on to Congressman Shadegg and other Members of the delegation for input.

Timber Industry Issues

Lon Porter, Precision Pine & Timber, Incorporated, stated that in the early 1990s, there were 11 major sawmills operating in Arizona that employed about 1,000 people. Not including the White Mountain Apache or San Carlos Apache Tribe timber, those mills used approximately 200 million board feet of timber per year out of the growth in forests of approximately 400 million board feet per year, so approximately one-half of what was growing was cut. As far as pulp material, 5-inch to 9-inch diameter sizes, the forests were growing about 400,000 cords per year, and the paper mill industry was using about 110,000 cords per year, or about one-fourth of what was growing. Today there are two small mills operating in Arizona that employ 60 to 80 people and cut between 8 million and 12 million board feet. Forests are still growing at the same rate, but the paper industry no longer uses 110,000 cords of the small wood; therefore, the forests are becoming more and more dense because only a small percentage of growth is taken out. He said the forest industry predicted devastating fires because of this growth, especially with the loss of the paper mill, so a small sawmill like Precision Pine & Timber, Incorporated is not nearly as important to Arizona as an OSB plant or paper facility that will utilize the small trees.

He questioned what the forest would be like if all of the land were owned like the White Mountain Apache Tribe owns its forest. He speculated that an operating facility would have been used as a tool rather than an end and all forests would look much different today if there were owners, even private industries that cared about the forest and its perpetuation. He noted that during a meeting with environmental groups where the 200 million board feet was discussed and how much was being cut in the forests, a paper was drawn up by the Forest Service, environmental groups, and representatives from the timber industry who agreed to 125 million

board feet. The paper was signed by everyone present, but a year later, a different environmental group filed an appeal, so now virtually nothing is going on. He submitted that someone will have to take a stand for what is right for the land.

In conclusion, Mr. Porter noted that the desk the Members are sitting at is made from wood, probably from a fairly tall tree, which more than likely died as a result of being cut; however, the tree adjacent and the same age probably died and fell over. He does not believe that tree was fulfilled as the tree the desk was cut from because it was given added life. Trees can be helped to fulfill their purpose by some sort of immortality such as display in furniture, antiques, doors, etc.

Current and Future Biomass Generating Stations

Molly Greene, representing Salt River Project (SRP), stated that SRP dedicated \$29 million to a renewable energy program for research, developing, and delivering electricity fueled by alternative energy supplies. One of the more recent areas developed is biomass technology.

Jack Whittier, Consultant, McNeil Technologies, reviewed a handout regarding *Salt River Project: Bio-Power Status* (Attachment 4).

Senator Jarrett asked what will happen to the water supply in the Valley if something is not done to the forests. Mr. Ester replied that with the proliferation of trees on the watershed, there has recently been a decrease in base flow of streams and tributaries, and on-site water for wildlife is drying up and flowing only occasionally. Remaining are flushes of run-off from heavy storm events, which would have been more of a gentle release in the past. Probably of even more concern with an unhealthy forest susceptible to tremendous wildfires that strip virtually everything off the land are huge debris flows, lots of sediment yield, and whatever else is in the soil. Soil contains many heavy elements, which is not bad, but it is then flushed off into the reservoir system, which decreases the life of the reservoirs. He explained that forests across the U.S. were initially set aside and reserved to protect the watersheds, especially in the west, and every large city essentially relies on water produced in the natural forests. As those forests become degraded, there is less water and risk of contamination after a major fire. In Denver, two years ago, one of the major reservoirs was absolutely unusable after fire during a drought season.

Mr. Ester related that during a meeting in Show Low, a member of the audience gave a personalized observation that after the Rodeo-Chediski fire, springs that had not been seen in 50 years began flowing again. That is good, but it can also be done by managing the forests.

When Mr. Ester asked if there is an opportunity to co-locate a biomass power plant with an OSB plant, Mr. Whittier responded affirmatively, noting that combined heat power applications are sought. He indicated to Mr. Nuvamsa that with a finance plan for a biomass plant, a guaranteed supply would be necessary, probably for 10 years.

Peter Johnston, Pinnacle West/Arizona Public Service Company (APS), stated that he is not aware of any grid-type renewable energy power project in the country that is cost effective. Biomass is very expensive, and no renewable energy project can exist without some form of subsidy. Even wind has a subsidy from the federal government, and it is the closest to being a

competitive scenario with more conventional modes of power generation. He reviewed a handout relating to *APS/WRE Eagar Biomass Power Generation Project* (Attachment 5).

Mr. Johnston added that this is APS' first foray into biomass. The company has 2,000 miles of transmission line through Forest Service territory, and with the devastation of bark beetles, a number of large trees are dying. If those fall on power lines, it could not only cause power outages, but also forest fires, so APS has a major right-of-way (ROW) clearing program and is considering building several other 3-megawatt power plants throughout the state coincident with the ROW clearing operations. The technologies would be slightly different as the wood chips would be gasified, but the boiler would still be used. Ten potential sites for location have been identified.

Public Testimony

Sandy Bahr, representing Sierra Club, made the following comments:

- The invitation to join the Task Force may have been lost in the mail because she does not recall receiving one.
- The Members could obtain further information by requesting a presentation from the environmental community, perhaps the Southwest Forest Alliance, which is a coalition of more than 60 groups with its own restoration plan that has done extensive work on forest issues.
- The Sierra Club is participating in the Governor's Advisory Committee, so it is clear that the environmental community is willing to participate, and perhaps there could be some coordination between that committee and the Legislature.
- Members are encouraged to go out and look at some of the proposed timber sales, such as the eastern timber sale on the north Kaibab Forest to see firsthand that old growth logging is not a figment of the imagination. It continues to go on today and is an important issue for the Sierra Club because about 5 percent is left, if that.
- She agrees with much of what Mr. Anable said and believes there is little argument about thinning and doing work around urbanized areas. If everyone wants to work together to help promote that instead of figuring out who to blame, things could be accomplished.
- Jack Cohen, who works for the Forest Service, looked at the Aspen fire and determined the homes were burned by a ground fire. The idea that homes and communities cannot be protected by doing thinning around the homes and communities is totally misleading because his research shows the opposite.
- Fire must be part of the solution, which everyone should keep in mind since it is important to convey to the public. Some of the past Smokey Bear-type education taught people not to be careless with fire, but also may have convinced people that fires should not occur in the forest, which is not the case. Fires that destroy communities and devastate habitat are not wanted.

Senator Jarrett remarked that several people from the environmental community were invited by phone and refused to participate. She personally talked to one person who declined. Ms. Bahr responded that a call was not made to her office.

Discussion

Mr. Nuvamsa stated that he spent yesterday afternoon with Pima County officials in Tucson concerning the Aspen fire, where the dilemma is how to accomplish removal of burned trees from the fire area. He and a forester shared experiences from various fires on the reservation. He suggested that the Task Force invite someone from that group to share experiences and needs, noting that if something is not done proactively about the dead or dying trees, there is the potential for insect infestation and future fire hazard, as well as impacts on the watersheds, etc.

Chairman Chase asked him to provide the names of contacts and expressed appreciation to Ms. Bahr for volunteering information. She stated that lives were lost in the Aspen fire when a helicopter went down and a constituent drowned. Homes, wildlife and forest were impacted. The bottom line is that everyone cares very much about what happens to people and the future of the forest. It is necessary to quit placing blame in order to move on and work together. She added that there is a big difference from the Aspen fire, in looking at the Rodeo-Chediski fire and lands that were worked on, which shows what happens when some removal is done. She thanked everyone for attending and the staff for their work.

Senator Jarrett thanked the presenters for their time. She noted that since several people would like to make presentations, two more meetings may be held.

Chairman Chase indicated that staff will contact the Members about the next meeting.

Without objection, the meeting adjourned at 4:18 p.m.

Linda Taylor, Committee Secretary
October 23, 2003

(Original minutes, attachments, and tape are on file in the Office of the Chief Clerk.)