

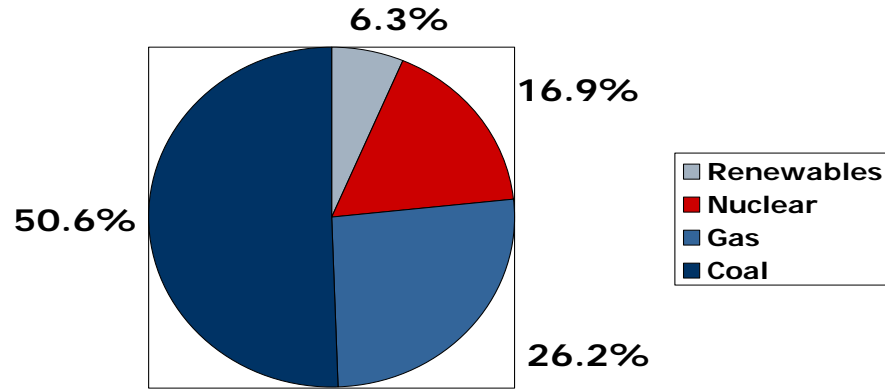
SRP's Commitment to WESTCARB and Carbon Sequestration in the West

2006 WESTCARB Annual Meeting
Progress on the Path to
Deployment
Phoenix, Arizona

SRP's Interest in Carbon Sequestration

- SRP, like most Western utilities, has a resource mix highly dependent on fossil fuels
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Projected SRP Generation Profile

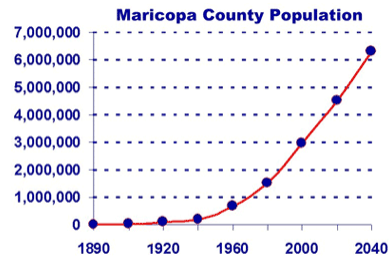


2009-2019 Average SRP Profile

SRP's Interest in Carbon Sequestration: Rising Regional Energy Demands

Arizona's Growth:

- 13,000 New Residents Every Month
(AZ Dept of Economic Security)
- Maricopa County population projections



*SRP's Interest in Carbon Sequestration:
Not only is population growing, but energy
use per household is growing too*

- Our homes are... bigger
- And we have more... electric appliances

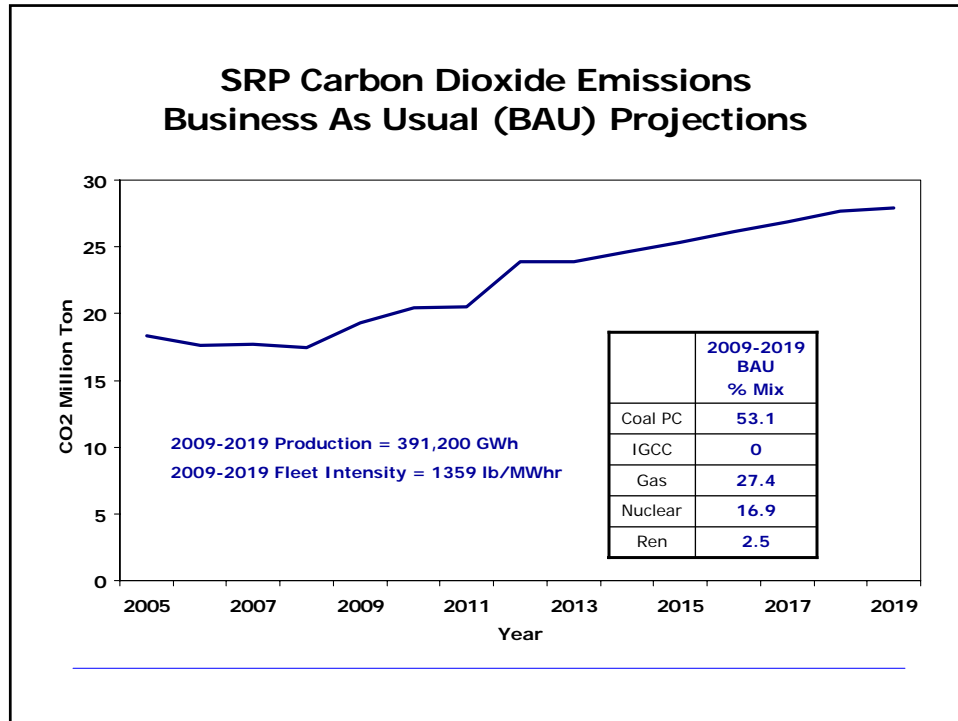


**“Power use per household is increasing at
twice the rate of our increase in
population.”** Salt River Project, 2005.

*Need to produce more energy, but carbon
emissions may be capped in future*

National, regional and state climate policies
target GHG emission reduction from
electric utilities

- McCain-Lieberman/Bingaman/Carper climate bills
- Regional Greenhouse Gas Initiative (Northeastern States)
- California AB 32 – mandatory CO₂ reductions to 1990 levels by 2025
- Arizona Governor's Climate Initiative



Potential GHG Emissions Reductions

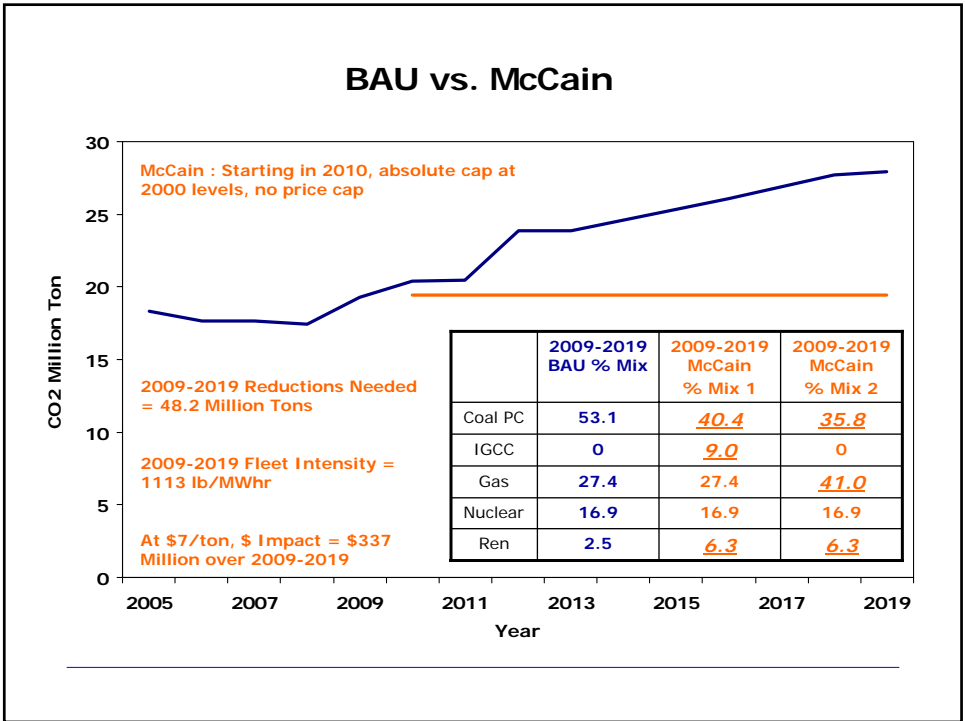
- On-System
 - Environmental Dispatch
 - Renewables
 - Generation Efficiency
 - New Generation/Fuel Switching
 - Biomass Co-Firing
 - Capture and disposal
- Off-System
 - Demand-side management
 - Market purchases
 - Offsets (Terrestrial sequestration, clean projects)

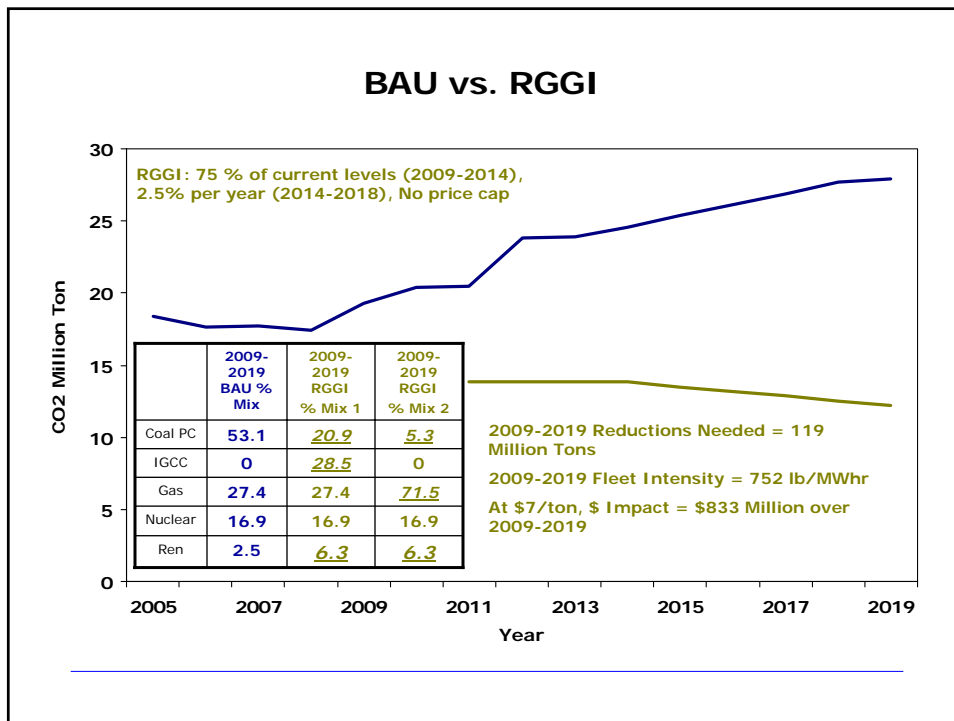
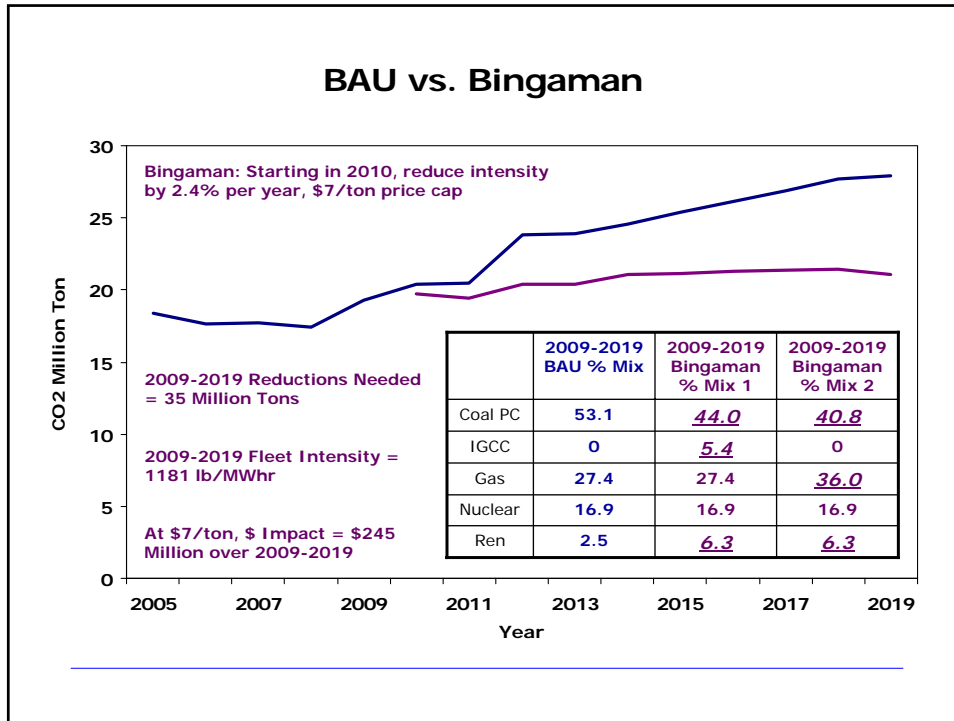
Costs of Renewable Technologies

<u>Technology</u>	<u>Installed Cost (\$/Watt)</u>	<u>Cost (¢ /kWh)</u>
Photovoltaics (tracking)	\$5.90	20-33 ¢
Photovoltaics (concentrating)	\$5.90	20-33 ¢
Photovoltaics (fixed)	\$5.40	9.6-30 ¢
Solar Trough	\$5.00	15-28 ¢
Biomass	\$1.50-2.00	5-13 ¢
Landfill Gas	\$2.00	5-7 ¢
Geothermal	\$2.00	7-8 ¢
Wind	\$1.00-1.50	5-7.5 ¢
.....		
Coal	\$1.50	2-4 ¢
Nuclear	\$2.00	3-5 ¢

Note: Costs vary greatly depending on resource availability, size and scope of systems, and availability of incentives/tax credits.

Arizona Corporation Commission





SRP's Current Actions

- Participation in Climate VISION/Power Partners
 - Developing accurate GHG inventories for reporting under 1605(b) and potential voluntary registry programs
 - Increase renewables in generation mix
 - Participation in R&D
 - CoalFleet forTommorrow
 - Arizona geologic carbon sequestration (pilot study)
 - Potential involvement in other carbon sequestration research projects
 - Reducing N2O Emissions in Ag. Crop Production through fertilizer management
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SRP's Commitment to Carbon Sequestration

- Investment in renewables will not be sufficient in meeting potential carbon constraints
 - Sequestration will play vital role in future utility carbon management programs
 - WESTCARB work will help shape western climate strategy
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