



United States
Department of
Agriculture

Forest
Service

Southwestern Region
Regional Office

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File Code: 2400/6320

Date: July 19, 2007

Steve Gatewood
Greater Flagstaff Economic Council
1300 S. Milton Road
Suite 125
Flagstaff, AZ 86001

Dear Steve:

Thank you for meeting with Gilbert Zepeda and myself to discuss prospects for long term wood supply for business utilization in the Greater Flagstaff area. We appreciate the opportunity to hear specifics on the challenges faced by economic development organizations seeking to support and expand existing operations, and to recruit new businesses engaged in small diameter wood and woody biomass utilization.

We find the prospect of business expansion and recruitment to be a positive step in regards to furthering the Southwestern Region's central priority – restoring the health of fire adapted ecosystems. We view reducing the treatment costs through the commercial use of the fiber and biomass generated by forest restoration and fuel reduction treatments as one of three keys to our success.

Over the course of the past 6 months, a number of outside interests have approached the Forest Service, U.S. Department of Agriculture with proposals for large scale industrial utilization of our wood resources, as well as with questions and concerns regarding the net available supply of wood fiber resulting from National Forest restoration treatments in North Central Arizona. As a result of this interest, we have contracted with Northern Arizona University to conduct a wood supply study. Our study is scheduled to be completed by the end of November 2007. The results of this study will not only provide the Forest Service with a better estimate of the range of the amount and type of wood fiber that would be produced as a by-product and could be used by industrial plants, but also frame a zone of conceptual agreement amongst interested parties that in turn could facilitate a more timely and reliable treatment schedule.

During these ongoing discussions and while the wood supply study proceeds, Forest Service staff have and will continue to work on evaluating the feasibility of developing multi-year stewardship contracts. These will be structured to not only attract new, large industrial users that can achieve landscape-scale treatment objectives, but also continue to supply fiber to existing local industries that have been purchasing timber sale and service contracts for many years and have been the foundation of our forest restoration programs.

At the conclusion of this study, and with consideration to the findings of the study and capacity of the Forests, we will make a decision about advertising a "Request for Proposals" (RFP) for one or more stewardship contracts. The most likely timeframe for advertisement of a RFP is December 2007/January 2008. If and once the Forest Service advertises one or more RFP's, it



will be industry's responsibility to meet government specifications and requirements. The Forest Service will review all proposals in accordance with the RFP evaluation factors by "Subject Matter Experts." It is our hope that if all the factors line up, we will be able to offer stewardship contracts that are attractive to a range of interests.

If you require additional information or have any questions, please feel free to contact our office or Gilbert Zepeda, Director of Forest Management, at (505) 842-3240.

Sincerely,

/s/ Abel M. Camarena (for)
HARV FORSGREN
Regional Forester