

CCS Exhibit 1.2

FEDERAL ENERGY REGULATORY COMMISSION POLICY EVOLVES ON RENEWABLE ENERGY CREDITS AND QFs IN U.S.

March 31 (News Release) -

Late in 2003, the FERC addressed a petition for declaratory order filed by several entities that own and operate waste-to-energy power plants that are certified as qualifying facilities ("QFs") under the Public Utility Regulatory Policies Act of 1978 ("PURPA"). A ruling was sought that avoided cost contracts entered into between utilities and QFs, absent express provisions to the contrary, do not inherently convey to the purchasing utility any renewable energy credits (or similar tradable certificates) ("RECs"). RECs have been created in recent years by state renewable portfolio standard programs typically designed to promote increased reliance on renewable energy resources. These REC's offer value beyond the revenue stream for power or thermal sales. Navigant Consulting forecasts that REC's are emerging as the dominant means to comply with renewable portfolio standards (RPS) and other renewable energy programs. The development of REC programs and trading markets for RECs have given rise to disputes between QFs - which often utilize renewable energy such as waste, wind, hydropower, or biomass - and the electric utilities that purchase their power under long-term contracts at avoided costs.

QFs have argued that the avoided cost paid by the purchasing utility compensates the QF only for the capacity and energy produced, not for the RECs created by their projects. The QFs further argue that RECs need to remain separate as an incentive for QF developers. The purchasing utilities and their state commissions, on the other hand, have primarily argued that the renewable attributes of PURPA contracts are not separable from the capacity and energy provided, and that such QF contract issues should be left to the states for resolution. PURPA Silence on REC's

The FERC granted the petition for declaratory order to the extent that it sought a declaration that contracts for the sale of QF capacity and energy entered into under PURPA do not convey RECs to the purchasing utility (absent express provision in the contract to the contrary). In a nutshell, the FERC found that the avoided cost rates charged under PURPA and the FERC regulations did not contemplate the existence of RECs. The regulations were intended to put the utility into the same position when purchasing QF capacity and energy as if the utility generated the energy itself or purchased the energy from another source. In this regard, the avoided cost that a utility pays a QF does not depend on the environmental attributes of the QF. The FERC went on to recognize that RECs are a relatively recent creation of the states, and therefore, they exist outside of PURPA. State Flexibility Over REC Transfers

States, in creating RECs, have the power to determine who owns RECs in the initial instance, and how they may be sold or traded as managed by contracts under state law. State views on REC's vary. Some states like Iowa do not recognize or permit RECs to satisfy RPS requirements. Texas, however, relies continually on RECs to verify compliance. Other systems like in New York would allow unbundling of RECs for power transacted through the spot market, but not under bilateral unit contracts.

In sum, unless a PURPA contract explicitly states otherwise, the FERC has decided that QFs may retain ownership of any RECs that are created by their generation facilities and that avoided costs only compensate for the capacity and energy provided by a QF. However, because RECs are created by state law, not PURPA, FERC has left the door wide open to states deciding that a sale of power at wholesale automatically transfers ownership of the state-created RECs to the purchasing utility. Given the stance of the various state commissions expressed in this proceeding, it can be expected that many states will seek to make such transfers to the utility. In the meantime, QF generators eligible for RECs should address the treatment of RECs in their power contracts with their purchasing utilities, making clear whether RECs are being transferred (presumably for additional compensation above avoided cost rates) or whether they are being reserved for other purposes by the QF.

The current market for REC contracting is trading at price levels of \$45 per megawatt hour with a buy-out set by some state funds at a level of \$55 per megawatt hour to satisfy renewable portfolio standards in New England. Originally, many project owners modeled these RECs at substantially lower price levels and the market has tripled based upon trading activity in New England. Trading for REC's at lower prices is following a similar pattern on the West coast. A question remains whether these prices can be sustained for a period greater than three years, and whether the advent of material wind project penetration in these markets will operate to drive the price down for RECs to a lower level and to which degree. If energy legislation delays or limits the renewal of the production tax credit, it is likely that these current levels of REC prices can be sustained as additional revenues for the immediate future. If such prices are sustainable at higher levels for the longer term and supported by a trading market in the region for such REC's, a new renewables market niche could also develop in such regions based upon sustainable interest in redeveloping, expanding or repowering older small power production QF's under PURPA to capture that value.

Michael J. Zimmer John A. Cohen

