LAW OFFICES OF DONALD B. MOONEY

DONALD B. MOONEY

129 C Street, Suite 2
Davis, California 95616
Telephone (530) 758-2377
Facsimile (530) 758-7169
dbmooney@dcn.org

California Energy Commission
DOCKETED
12-CAI-04
TN # 69108
JAN 11 2013

January 11, 2013

Attn: Docket No. 12-CAI-04
1516 Ninth Street
MS-4 Sacramento, CA 95814-5512
docket@energy.ca.gov

Re: ***In the Matter of the Complaint Against the Bottle Rock Geothermal Power Plan (79-AFC-4C) Docket No. 12-CAI-04***

Dear Sir or Madam

Enclosed is the disk containing David Coleman's direct testimony, exhibit list, and pre-hearing statement related to the January 22, 2013 Committee hearing. Exhibit 2, which contains numerous photographs is a separate item on the disk.

Sincerely,

Donald B. Mooney
Attorney for David Coleman

Cc: John A. McKinsey
Kristen T. Castaños
Brian Harms,
Mark Peterson
John Dunnigan
Elizabeth Johnson
Will Evans
Richard Coel
Jennifer Jennings

STATE OF CALIFORNIA

Energy Resources Conservation and Development Commission

In the Matter of the	)	
	)	**Docket No. 12-CAI-04**
COMPLAINT AGAINST THE	)	
BOTTLE ROCK GEOTHERMAL	)	
POWER PLANT (79-AFC-4C)	)	

DAVID COLEMAN'S DIRECT TESTIMONY, EXHIBIT LIST, AND PRE-HEARING STATEMENT RELATED TO THE JANUARY 22, 2013 COMMITTEE HEARING

Donald B. Mooney
Law Office of Donald B. Mooney
129 C Street, Suite 2
Davis, CA 95616
Phone: 530-758-2377

Attorney for David Coleman

STATE OF CALIFORNIA

Energy Resources Conservation
and Development Commission

In the Matter of the	)	
	)	Docket No. 12-CAI-04
COMPLAINT AGAINST THE	)	
BOTTLE ROCK GEOTHERMAL	)	
POWER PLANT (79-AFC-4C)	)	

DAVID COLEMAN'S DIRECT TESTIMONY, EXHIBIT LIST, AND PRE-HEARING STATEMENT RELATED TO THE JANUARY 22, 2013 COMMITTEE HEARING

I. INTRODUCTION

Complainant David Coleman submits the following Pre-hearing Statement, direct testimony and Exhibit List for the January 22, 2013 Committee Hearing regarding Mr. Coleman's Complaint against Bottle Rock Geothermal Power Plant. As demonstrated by Mr. Coleman' Complaint, this Pre-Hearing Statement and the evidence before the Committee, the Department of Water Resources (DWR) and Bottle Rock Power, LLC's (Bottle Rock), decision to amend the Purchase Agreement and cancel the requirements of sections 2.4 and 2.5 violates DWR and Bottle Rock's obligations under the May 30, 2001 Commission Order Approving Ownership Transfer (Docket No. 79-AFC-4C; Order No. 01-0530-07.)

II. DAVID COLEMAN'S PREHEARING STATEMENT

A. Background Information

On October 11, 2012, David Coleman filed the instant Complaint pursuant to regarding Bottle Rock Power and the Department of Water Resources' (DWR) amendment to the 2001 Purchase Agreement. (See Exhibit 3.) The Complaint seeks a determination that the August 2012 Amendment to the Purchase Agreement violates the

Commission's May 30, 2001, Order that approved the transfer of ownership of the Bottle Rock Power Plant from DWR to Bottle Rock Power LLC. (Exhibit 4.)

The Commission's May 2001 Order found that "adequate measures appear to have been take to enable DWR to ensure proper closure and decommissioning of the Bottle Rock Power Plant subsequent to the transfer of ownership in the event Bottle Rock Power Corporation is unable to do so." (*Id.*) The Commission approved the transfer of ownership subject to the specific condition that both DWR and Bottle Rock Power LLC would "strictly adhere to the terms of the 'Purchase Agreement for the Bottle Rock Power Plant and Assignment of Geothermal Lease." (*Id.*)

The Purchase Agreement contains sections 2.4 (Securing for Decommissioning and Reclamation Liabilities) and 25 (Environmental Impairment Insurance). (Exhibit 110.) Section 2.4 of the Purchase Agreement requires that Bottle Rock Power deliver a five million dollar surety bond to DWR to ensure that sufficient funds would be available for the eventual decommissioning of the facility. Section 2.4 of the Purchase Agreement requires that Bottle Rock Power Company deliver a five million dollar surety bond to DWR to ensure that sufficient funds would be available for the eventual decommissioning of the facility, and required that the bond remain in place until five years after completion of all decommissioning. Section 2.4(a) further provides that:

> "...if [DWR] receives a complete release of liability under the Francisco Steam Field Lease, then Buyer may adjust the amount of the bond to the amount of an independent engineering estimate approved by [DWR] of the cost of decommissioning the Plant and Steam Field required to meet the requirements of the California Energy Commission, the County of Lake and any other regulatory agency with jurisdiction."

Section 2.5 of the Purchase Agreement requires Bottle Rock to maintain an Environmental Impairment Insurance policy with limits on liability in an amount not less than ten million dollars and to designate DWR as a co-insured. It also requires Bottle Rock to maintain the policy in effect at all times during the operation and decommission

of the power plant, and extends to the associated steam fields.

On December 13, 2006, the Commission approved the change of ownership from Bottle Rock Power Corporation, LLC to Bottle Rock Power LLC, filing an Order to that effect. (Exhibit 107.) The Order also changed or deleted some, but not all, Conditions of Certification, and allowed the restart of operations. (*Id.*) All other Conditions of Certification remained in full force and effect, including the requirements for a closure bond and environmental insurance. (*Id.*)

On August 3, 2012, DWR's Chief Counsel sent a letter to Energy Commission Chairman Robert B. Weisenmiller to advise the Commission that DWR intended to amend the 'Purchase Agreement for the Bottle Rock Power Plant and assignment of Geothermal Lease,' dated April 5, 2001 by deleting Sections 2.4 and 2.5 in exchange for a release of Liability of DWR to Bottle Rock Power or the owners of the geothermal steam. (Exhibit 5.) Neither DWR nor Bottle Rock, however, sought permission from the Commission prior to executing the Amendment, nor is the Amendment contingent upon the Commission's approval.

On August 14, 2012, DWR's director signed the Amendment. On August 29, 2012, the Department of General Services (DGS) approved the agreement amending the original Purchase Agreement. After executing the Amendment with DWR, Bottle Rock cancelled the bond mandated by the May 2001 Order. Bottle Rock did not inform the Commission that the bond were cancelled nor did Bottle Rock seek the Commission's approval prior to cancelling the bond and insurance policy.

In a letter from October 2012, the Commission informed DWR that the Commission may have concerns about the amendment conflicting with the 2001 Order. On October 22, 2012, DWR responded by informing the Commission that the amendment to the Agreement had been approved by DGS on August 29, 2012.

B. Bottle Rock Violated the Commission's May 2001 Order.

The Commission's May 2001 Order that approved the transfer from DWR to Bottle Rock quoted extensively from Sections 2.4 and 2.5 of the Purchase Agreement, and contained the finding that "Adequate measures appear to have been taken to enable DWR to ensure the proper closure and decommissioning of the Bottle Rock Power Plant subsequent to the transfer of ownership in the event Bottle Rock Power Corporation is unable to do so." (Exhibit 4.) The Commission then approved the transfer of ownership subject to the condition that "[t]he parties shall strictly adhere to the terms of the "Purchase Agreement for the Bottle Rock Power Plant and Assignment of Geothermal Lease." (*Id.*) Thus, the Commission's intent in approving the Order of the Commission was to ensure that Bottle Rock and DWR would provide sufficient assurances that decommissioning and the necessary environmental cleanup, would be carried out and that adequate financial resources would exist at the time of decommissioning. Without an adequate bond and environmental insurance policy in place, Bottle Rock and DWR cannot provide the Commission or the public assurance that sufficient funds will be available for decommissioning and reclamation of the site.

DWR and Bottle Rock's amendment to the Purchase Agreement deleted the very provisions and safeguards that the Commission relied upon in approving the transfer. (See Exhibit 112.) Thus, the Amendment violates the 2001 Order. As a result, there is no guarantee in place now that Bottle Rock, a limited liability company, will devote adequate funds to decommissioning of the plant and reclamation of the site. Moreover, Bottle Rock has provided no assurance that the its two parent companies would step and be financially responsible for the decommissioning and reclamation of the site.

In approving the Amendment, Bottle Rock and DWR also failed to comply with Section 2.4(a) of the Purchase Agreement that provides:

> "...if [DWR] receives a complete release of liability under the Francisco Steam Field Lease, then Buyer may adjust the amount of the bond to the amount of an independent engineering estimate approved by [DWR] of the cost of decommissioning the Plant and Steam Field required to meet the requirements of the California Energy Commission, the County of Lake and any other regulatory agency with jurisdiction."

Nothing in record indicates that prior to the complete release of liability an independent engineering estimate was prepared and submitted to DWR. Moreover, as nothing was prepared, DWR did not evaluate or approve an independent engineering estimate.

With the deletion of section 2.4 and 2.5, and Bottle Rock's subsequent cancellation of the bond, there is nothing in the record before the Commission that indicates Bottle Rock has taken adequate measures to ensure that it has the financial resources to complete the proper closure, decommissioning and reclamation of the site.

C. Neither Bottle Rock nor DWR Petitioned the Commission to Amend the Order Prior to Amending the Purchase Agreement

Neither Bottle Rock nor DWR filed with the Commission a Petition to Amend regarding any change to the specific requirement that the parties "strictly adhere to the terms of the 'Purchase Agreement for the Bottle Rock Power Plant and Assignment of Geothermal Lease.'" (See 20 Calif. Code Regulations, § 1769(a) [After the final decision is effective under section 1720.4, the applicant shall file with the commission a petition for any modification it proposes to the project design, operation, or performance requirements."].)

DWR and Bottle Rock were clearly aware of the need to seek the Commission's approval prior to entering into the Amendment and prior to Bottle Rock's cancellation of the bond and environmental insurance policy. By letter dated September 24, 2009, from DWR's Staff Counsel to Brian Harms, DWR clearly stated that a desire to eliminate the need for a security bond under the Agreement would require the Commission to revise

conditions of Bottle Rock's certification. (Exhibit 6; see also Exhibit 7 (Letter dated May 21, 2009 from Robert James, Staff Counsel, Department of Water Resources to Thomas King, Managing Director, USRG Management Company, LLC (Docket 79-AFC-4C).)

Despite DWR and Bottle Rock being on notice that any modification to the Agreement effecting the bond and environmental insurance requirements required the Commission's approval, DWR and Bottle Rock simply ignored this requirement and proceeded without obtaining the Commission's approval. Moreover, Bottle Rock then proceeded to cancel the bond and insurance policy and never notified the Commission nor sought the Commission's approval. Despite Bottle Rock and DWR's legal obligation to file a Petition to Amend prior to modifying the Purchase Agreement, Bottle Rock and DWR decided to sidestep the Commission and ignore its authority and role in overseeing the operation and decommissioning of the site. Bottle Rock's actions in approving the Amendment and in cancelling the bond constituted a blatant disregard of the Commission's authority and regulations.

D. Bottle Rock has Not Provided the Commission Any Environmental Assessment of the Reduced Decommissioning Associated with the Amendment

As part of the Amendment to the Purchase Agreement and the three-way agreement between DWR, Bottle Rock and Coleman, LLC, there where will be a reduced scope of decommissioning and reclamation at the site and the Amended Lease there will be reduced decommissioning and reclamation of the site. Neither DWR nor Bottle Rock have provided the Commission with any environmental assessment to determine what if any environmental impacts may occur with respect to the reduced scope of decommissioning and reclamation.

This is of particular concern because the cost estimates for decommissioning the site are dramatically reduced from 2008 to the present. Bottle Rock's current estimate for decommissioning is $2,242,000. (Exhibit 102.) In 2007, Bottle Rock provided DWR an

estimate for decommissioning of $4,909,950.00 to abandon the wells and in 2008 provided DWR an estimate of $4,890,400.00 for removal of the facilities for a total of cost of $9,800,350. (Exhibits 8 & 9.) By letter dated October 8, 2008, from DWR to Bottle Rock, DWR, was critical of Bottle Rock's estimate. (Exhibit 10.) DWR found that the 2008 estimate failed to cover all of the necessary activities and underestimated the decommissioning costs. (*Id.*) DWR estimated the decommissioning costs to be $16,500,000. (*Id.*) In approximately 4 years, Bottle Rock has reduced its own estimated costs of decommissioning from almost $10 million to less than $2.5 million without any explanation to the Commission or the public. Obviously, Bottle Rock seeks to significantly reduce the scope of decommissioning and the reclamation of the site and reduce the burden of any bond requirement.

Neither Bottle Rock nor DWR have identified what decommissioning and reclamation activities will not be completed. Nor have they provided the Commission any environmental assessment associated with the significant reduction in the scope of decommission.

E. Information Requested by the Committee

The Commission's December 21, 2012 Notice of Committee Hearing, Possible Amendment of Conditions of Certification and Hearing Orders, the Committee identified several areas of interest which are addressed below.

1. Regarding the "reduced scope of decommissioning" negotiated with the underlying landowners, the facilities proposed to remain after the project is decommissioned, including, if available, photos depicting the relationship of those facilities to their surroundings. Do the structures conform with Lake County development standards?

During the December 18, 2012 Workshop, Bottle Rock's representative indicated that the purpose of the Settlement Agreement was to modify the scope of decommissioning in order to reduce the costs associated with decommissioning. Bottle

Rock now asserts that there is no "reduced scope of decommissioning" but that the scope will be determined in the future. This assertion is inconsistent with the statements of Brian Harms during the December 18, 2012 workshop. Bottle Rock has stated that one of the primary purposes of the Amended Lease was to reduce the scope of decommissioning and the expense associated with decommissioning. Bottle Rock now informs the Commission and the parties that the scope of decommissioning will not be determined until the time of decommissioning and Bottle Rock enters into an agreement with Coleman, LLC regarding the scope of decommissioning.

2. The estimated costs of remediating the decommissioned facility and steam fields, including underlying assumptions.

Bottle Rock relies upon an October 2001 Estimate from Plant Reclamation for the $2,242,000 estimated costs of decommissioning the facility. (See Exhibit 102.) This estimate, however, is not consistent with previous estimates submitted to and reviewed by DWR. In 2008, Bottle Rock provided DWR an estimate for decommissioning of $4,909,950.00 to abandon the wells and $4,890,400.00 for removal of the facilities for a total of $9,800,350. (Exhibits 8 & 10.) DWR criticized Bottle Rock's estimate because failed to cover all of the necessary activities and underestimated the decommissioning costs. (Exhibit 10.) DWR estimated the decommissioning costs to be $16,500,000. (*Id.*) Approximately 4 years later in effort to get out from the requirements of section 2.4, Bottle Rock has reduced the estimated costs of decommissioning from over $16 million to less than $2.5 million. While Bottle Rock may seek to reduce its liability for decommissioning, neither Bottle Rock nor DWR, however, have identified what decommissioning and reclamation activities will not be completed.

3. The sale agreement between the Department of Water Resources and the project owner and subsequent amendments thereto.

See discussion above. It should be noted that Bottle Rock has not provided the Commission any previous amendments to the sale agreement. It is unclear and uncertain

whether those previous amendments affect Bottle Rock's compliance with the Commission's May 2001 Order or the Conditions of Certification. The Commission should direct Bottle Rock to provide all amendments to sale agreement so that the Commission can determine whether or not they may have any impact on the May 2001 Order or Conditions of Certification.

4. The lease agreement between the project owner and the landowner

Bottle Rock provided a severely redacted version of the Amended and Restated Geothermal Lease and Agreement between V.V. & J. Coleman, LLC and Bottle Rock Power, LLC dated July 25, 2012. (Exhibit 111.) Unfortunately, the redacted provisions deprive interested parties and the Commission of critical information needed to evaluate the project and the decommissioning. For example, Bottle Rock redacted the entire section identified as "Lease Term and Rentals". This deprives the parties of information about the length of the lease, which would affect when decommissioning and reclamation may take place. Bottle Rock also redacted information regarding payments and royalties. Information regarding payment and royalties goes to the economic viability of the project. If the payment and royalties are significant, that may affect Bottle Rock's ability to pay for decommissioning at the cessation of operations. Bottle Rock also redacted most of the information regarding "Operations." Current operations, or those activities allowed under the lease, may affect decommissioning and the scope of decommissioning. Without that information, the Commission and the public cannot adequately evaluate the activities on the leasehold and whether the decommissioning and reclamation will cover all such activities. As such, the information should be provided. Bottle Rock redacted the amount of the "put option". The "put option" allows the Lessor to require the Lessee to purchase all of Lessor's right, title and interest in the surface of the lands for an undisclosed sum. This may become an additional and significant cost that would come at

the same time of decommissioning and reclamation. As such, the information must be provided in order for the Commission to evaluate the potential costs that Bottle Rock may incur at the time of decommissioning.

Nothing in the unredacted portions of the Amended Lease or in the headings of the various sections indicate that the document contains any sort of confidentiality clause. Thus, Bottle Rock's claim of confidentiality is without basis.

Bottle Rock's submittal of the redacted document violates the Commission's Standing Order re: Proceedings and Confidentiality Applications – Procedural Requirements for Filing, Service and Docketing Documents with the Energy Commission (Docket No. 11-GEN ADMIN-01.) The Commission's Standing Order does not provide for the submission of redacted documents, but instead allows for a third party to submit an application to keep a record confidential. (See 20 Cal. Code Regs. § 2505.) As Bottle Rock failed to follow the procedures set forth in the Commission's regulation and Standing Order the Commission should direct Bottle Rock to provide an unredacted copy of the Amended Lease. Alternatively, the Commission should reject the Amended Lease as evidence.

5. The amount of and terms of bonds to secure remediation of the steam fields, generating facility, or both, required or held by other entities such as Lake County, the Department of Conservation Division of Oil, Gas & Geothermal Resources, and any others.

The Department of Conservation Division of Oil, Gas & Geothermal Resources currently holds a $100,000 blanket bond to indemnify that the State if Bottle Rock could not properly plug and abandon wells at the time of decommissioning. (See Exhibit 11; Pub. Resources Code, § 3726.) By letter dated November 27, 2012, the Department of

Conservation informed the Commission that the $100,000 bond amount is entirely inadequate. (*Id.*)

The County of Lake's Use Permit Amended Use Permit UP 85-27 requires a bond in the amount of $350,000 to be adjusted every 2 years. (Exhibit 104 at p. 14, ¶ M.16.) The County of Lake's Use Permit 09-01 requires a bond with the amount to be determined by the County of Lake in consultation with Bottle Rock and a Registered Civil Engineer. (Exhibit 105 at p. 11, ¶ N.13.) Bottle Rock has provided no evidence that the amount of bond has been determined and/or acquired by Bottle Rock.

6. The amount of and terms of environmental impairment insurance held by the project or required to be held by entities such as Lake County, the Department of Conservation Division of Oil, Gas & Geothermal Resources, and any others

Other than that required by Section 2.5 of the Purchase Agreement, Mr. Coleman is not aware of any environmental impairment insurance held by Bottle Rock for the project.

7. Lake County's conditions applicable to the steam fields

Lake County's conditions are contained in the County's Use Permit Amended Use Permit UP 85-27 and Use Permit 09-01. (See Exhibits 105 and 106.)

F. David Coleman's Position Regarding the Complaint and Hearing Procedures

1. The Desired Outcome

Mr. Coleman seeks an outcome whereby the Committee sustains the complaint and directs Bottle Rock Power to comply with the terms and conditions of the May 30, 2001, Order Approving the Transfer of Ownership of the Bottle Rock Power Plant from DWR to Bottle Rock Power LLC. While Mr. Coleman's Complaint requests that the Commission declare the August 2012 Amendment to be null and void, the Commission could accomplish the same task by enforcing sections 2.4 and 2.5 of the Purchase Agreement. As the Amendment deletes sections 2.4 and 2.5 from the Purchase Agreement, the Commission should exercise its authority pursuant to Public Resources Code section 25534 to modify the 2001 Order to specifically provide for the requirement of a bond and environmental insurance policy. Moreover, the Commission should direct an annual review of the bond and environmental insurance requirements based upon the estimated decommission and reclamation costs.

2. Changes to the Project's Conditions of Certification

The Project's Conditions of Certification should clearly state the requirements for a bond and environmental insurance policy as set forth in Sections 2.4 and 2.5 of the Purchase Agreement.

3. Witnesses

Mr. Coleman will testify in support of the Complaint. See Mr. Coleman's direct testimony. (Exhibit 1.)

4. Cross-Examination

At the time of this Pre-Hearing Statement, Mr. Coleman is only aware of the witness to be produced by Bottle Rock – Brian Harms. (See Exhibit 100.) Mr. Coleman estimates that cross-examination of Mr. Harms will take 25 to 30 minutes. As the other

interested parties have not identified their witnesses, Mr. Coleman reserves the right to request additional time for cross-examination if other witnesses are produced.

5. Amount of Time for Oral Argument

Mr. Coleman requests up to 20 minutes for Oral Argument.

III. DAVID COLEMAN'S EXHIBIT LIST

Exhibit #	Document Title
1	Direct Testimony of David Coleman
2	Photos submitted by David Coleman 88 photos on separate disk
3	Complaint Regarding Bottle Rock Power , LLC's Noncompliance with a decision of the California Energy Commission dated October 11, 2012 (Docketed 12-CA1-04
4	Commission Order Approving Ownership Transfer dated May 30, 2001 (Docket 79-AFC-4C)
5	Letter dated August 3, 2012 from Cathy Cruthers, Chief Counsel Department of Water Resources to Robert Weisenmiller, Chairman, California Energy Commission
6	Letter dated September 24, 2009 from Robert James, Staff Counsel, Department of Water Resources to Brian Harms, General Manager, Bottle Rock Power, LLC (Docket 79-AFC-4C)
7	Letter dated May 21, 2009 from Robert James, Staff Counsel, Department of Water Resources to Thomas King, Managing Director, USRG Management Company, LLC (Docket 79-AFC-4C)
8	Letter dated December 10, 2007, from Ronald E. Suess, President, Bottle Rock Power, LLC to Robert W. James, Department of Water Resources
9	Letter dated February 5, 2008, from Ronald E. Suess, President, Bottle Rock Power, LLC to Robert W. James, Department of Water Resources
10	Letter dated October 9, 2008 from Robert James, Staff Counsel, Department of Water Resources to Ronald Suess, President, Bottle Rock Power, LLC (Docket 79 AFC 4C)
11	Letter dated November 27, 2012 from Robert S. Habel, Chief Deputy, Department of Conservation Division of Oil Gas, & Geothermal Resources to California Energy Commission (Docket No. 12 CA1-04.)

Dated: January 11, 2013

Respectfully submitted,

LAW OFFICE OF DONALD B. MOONEY

By

Donald B. Mooney
Attorney for David Coleman

DECLARATION OF DAVID COLEMAN
IN SUPPORT OF THE COMPLAINT AGAINST
THE BOTTLE ROCK GEOTHERMALPOWER PLANT (79-AFC-4C)

I, DAVID COLEMAN declare:

1. The facts set forth in this declaration are based on my personal knowledge and if called as a witness, I could and would competently testify thereto under oath.

2. This Declaration is made in support of the Petitioners San Joaquin Raptor Rescue Center and Protect Our Water's Motion for Attorney's Fees.

3. I prepared or caused to be prepared the following documents and am knowledgeable about the facts and circumstances contained in said documents.

a. Direct Testimony of David Coleman (Exhibit 1)

a. Photos submitted by David Coleman 88 photos on separate disk (Exhibit 2)

c. Complaint Regarding Bottle Rock Power , LLC's Noncompliance with a decision of the California Energy Commission dated October 11, 2012 (Docketed 12-CA1-04 (Exhibit 3).

4. The following exhibits are true and correct copies of publically available documents that I obtained from the California Energy Commission and the Department of Water Resources

a. Commission Order Approving Ownership Transfer dated May 30, 2001 (Docket 79-AFC-4C) (Exhibit 4)

b. Letter dated August 3, 2012 from Cathy Cruthers, Chief Counsel Department of Water Resources to Robert Weisenmiller, Chairman, California Energy Commission (Exhibit 5)

c. Letter dated September 24, 2009 from Robert James, Staff Counsel, Department of Water Resources to Brian Harms, General Manager, Bottle Rock Power, LLC (Docket 79-AFC-4C) (Exhibit 6)

d. Letter dated May 21, 2009 from Robert James, Staff Counsel, Department of Water Resources to Thomas King, Managing Director, USRG Management Company, LLC (Docket 79-AFC-4C) (Exhibit 7)

e. Letter dated December 10, 2007, from Ronald E. Suess, President, Bottle Rock Power, LLC to Robert W. James, Department of Water Resources (Exhibit 8)

f. Letter dated February 5, 2008, from Ronald E. Suess, President, Bottle Rock Power, LLC to Robert W. James, Department of Water Resources (Exhibit 9)

g. Letter dated October 9, 2008 from Robert James, Staff Counsel, Department of Water Resources to Ronald Suess, President, Bottle Rock Power, LLC (Docket 79 AFC 4C) (Exhibit 10)

h. Letter dated November 27, 2012 from Robert S. Habel, Chief Deputy, Department of Conservation Division of Oil Gas, & Geothermal Resources to California Energy Commission (Docket No. 12 CA1-04.) (Exhibit 10)

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct in all respects and that if called as a witness I could and would competently testify thereto.

Executed this 11th day of January 2013, at Oakland, California.

/s/
David Coleman

DECLARATION OF SERVICE

I, Donald B. Mooney, declare that on January 11, 2013, I served and filed copies of the attached **DAVID COLEMAN'S DIRECT TESTIMONY, EXHIBIT LIST, AND PRE-HEARING STATEMENT RELATED TO THE JANUARY 22, 2013 COMMITTEE HEARING**, dated January 11, 2013. This document is accompanied by the most recent Proof of Service list, which I copied from the web page for this project at: http://www.energy.ca.gov/sitingcases/bottlerock/documents/index.html#cai-04.

The document has been sent to the other parties in this proceeding (as shown on the Proof of Service list) and to the Commission's Docket Unit, as appropriate, in the following manner:

For service to all other parties and filing with the Docket Unit at the Energy Commission:

X I e-mailed the document to all e-mail addresses on the Service List above and personally delivered it or deposited it in the US mail with first class postage to those parties noted above as "hard copy required"; **OR**

____ Instead of e-mailing the document, I personally delivered it or deposited it in the US mail with first class postage to all of the persons on the Service List for whom a mailing address is given.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that I am over the age of 18 years.

Dated: January 11, 2013

Donald B. Mooney

INTERESTED AGENCIES
California ISO
e-recipient@caiso.com

Department of Water Resources John Dunnigan
Senior Staff Counsel
1416 Ninth Street, Room 1104
Sacramento, CA 95814
jdunniga@water.ca.gov

Department of Conservation
Division of Oil, Gas, & Geothermal Resources
Elizabeth Johnson Geothermal Officer
801 K Street, MS 20-20
Sacramento, CA 95814
ljohnson@consrv.ca.gov

Lake County
Community Development Department Planning Division
c/o Will Evans Richard Coel
255 North Forbes Street
Lakeport, CA 95453
will.evans@lakecountyca.gov
richard.coel@lakecountyca.gov

ENERGY COMMISSION – PUBLIC ADVISER
Jennifer Jennings
Public Adviser
publicadviser@energy.ca.gov

COMMISSION DOCKET UNIT
CALIFORNIA ENERGY COMMISSION – DOCKET UNIT
Attn: Docket No. 12-CAI-04
1516 Ninth Street
MS-4 Sacramento, CA 95814-5512
docket@energy.ca.gov

Exhibit 1

Direct Testimony of David Coleman
Re: Complaint Against the Bottle Rock
Geothermal Power Plant (79-AFC-4C)
Proceeding 12-CAI-04

This testimony concerns some of the problems and concerns associated with the Francisco-Coleman Geothermal Lease hold located at 7385 High Valley Road and the Coleman Family Trust 7645 High Valley Road, Cobb California, as well as my involvement in seeking to have those concerns addressed. The purpose of this testimony is to demonstrate that there are many concerns with the operation of the project and that there will be significant work required for decommissioning and reclamation of the site.

The Francisco-Coleman property and the Coleman are part of three homesteads acquired by my great grandfather and two great aunts circa 1898. I have been involved with these two properties my whole life. From 1989 to 1991, I lived at 7645 High Valley Road. Currently I reside in Oakland, California, but I am a frequent visitor to the Cobb area and the properties there.

I first became aware of environmental issues in August 2008. On August 4, 2008, a neighbor on High Valley Road called me to express concern about what he referred to as drill cuttings being dumped on the wetland meadow on the Francisco leasehold.

On August 5, 2008, I drove from Oakland to the leasehold and arrived around 3:30 pm. Upon my arrival I looked over the leasehold took some photos. I observed a drilling rig on the West Coleman and Francisco Pads and a drilling rig on the Coleman pad. The wetland meadow's south edge was badly damaged by heavy equipment. They were excavating the sumps on the West Coleman and Francisco well pad sites and there were fresh cat trails all over the property.

On August 6, 2008, I contacted the County of Lake's code enforcement and inquired if the work was permitted. They said they would send out Ron Yoder from Code Enforcement. I started to investigate which state agencies had jurisdiction over the power plant and steam field.

On August 7, 2008, I called the County of Lake and was informed that the County found no violations. I then went with my neighbor Randy Fong and took more pictures of the Francisco leasehold. I went down to Lakeport to the County's Community Development department and asked more questions. I did not receive many answers.

However, I did obtained a copy of Bottle Rock Power's Lake County Use Permit 85-27, which at time was over 20 years old.

From August 8 to August 13, 2008, I returned to Oakland to investigate which state agencies have jurisdiction over Bottle Rock Power. I contacted Guy Childs with the Central Valley Regional Water Quality Board (CVRWQCB); Kelly Barker with the Department of Fish and Game (DFG), Dale Rundquist with the California Energy Commission, and representatives of the California Department of Water Resources (DWR) and various individuals with the California Environmental Protection Agency (CalEPA).

From August 14 to August 17, 2008, I returned to Cobb and took more photographs. (See Exhibit 2.) I discovered that they might have trespassed on to our property. I then contacted local survey companies for an estimate to conduct a survey of the eastern property line. I continued to have discussions with Lake County about the use permit requirements.

In August 2008, I contacted Calpine, who my family leases property to in the area for geothermal activities. I recall Calpine re-drilling the North East Geysers Unit 8 (NEGU 8) in April 2008 and there were no drill cuttings put on the ground the on site sump which is now a fresh water pond. After talking to several people at Calpine, I came to understand that there are numerous problems on the Francisco leasehold that had not been addressed.

I obtained a copy of Bottle Rock Power's Waster Discharge Requirements 99-091 from Guy Childs at CVWQCB. WDR 99-091 was issued in 1999 for DWR's closure of the Francisco leasehold. I filed a complaint with CVWQCB over the condition of all three sumps. I also filed a complaint with DFG over the numerous streambed alterations. I started reviewing BRP's Energy Commission requirements for Docket No. 79-afc-4C.

On August 26, 2008, I contacted BRP and set up a tour with Koran Thomas, BRPs Compliance Officer. We toured BRP's leasehold. I pointed out what I considered to be violations of BRP's Use Permit. I asked her about the County of Lake's Use Permit 85-27 and CVRWQCB's Waste Discharge Requirements. She had not read them and did not know if they had copies of them. At the end of the tour, I provided Koran a copy of UP 85-27 and WDR 99·091.

STATE OF CALIFORNIA

Energy Resources Conservation and Development Commission

In the Matter of the	)	
	)	**Docket No. 12-CAI-04**
COMPLAINT AGAINST THE	)	**Proof of Service**
BOTTLE ROCK GEOTHERMAL	)	
POWER PLANT (79-AFC-4C)	)	

SERVICE LIST:

COMPLAINANT
David Coleman 3733 Canon Avenue
Oakland, CA 94602
redandcurly@yahoo.com

COMPLAINANT'S COUNSEL
Donald B. Mooney 129 C St #2
Davis, CA 95616
dbmooney@dcn.org

RESPONDENT/PROJECT OWNER
Bottle Rock Power, LLC
Brian Harms, General Manager
7385 High Valley Road
P.O. Box 326
Cobb, CA 95426
bharms@bottlerockpower.com

PROJECT OWNER'S COUNSEL
Stoel Rives, LLP
John A. McKinsey
Kristen T. Castaños
500 Capitol Mall, Suite 1600
Sacramento, CA 95814
jamckinsey@stoel.com
ktcastanos@stoel.com

PROJECT LANDOWNER
V.V. & J. Coleman LLC
c/o Mark Peterson
Diepenbrock Elkin LLP
500 Capitol Mall, Suite 2200
Sacramento, CA 95814
mpeterson@diepenbrock.com

In September 2008, I took more photos and continued my investigation of the site.

On October 6, 2008, I participated in a tour of the leased property with newly hired Public Relations Officer Reid Morgan and concerned neighbor Ron Fidge. I took several photos during the tour. (See Exhibit 2.) I asked Mr. Morgan if BRP had surveyed the leasehold before grading. Mr. Morgan sated that he would look into it.

On October 30, 2008, I participated in another tour of the leasehold put on by Integrated Energy Management LLC, (IEM) of Reno, Nevada. The tour was attended by IEM, BRP staff, County of Lake, DWR and many concerned residents. I took more photos. (See Exhibit 2.) Based upon my observations, I believe the violations of the Use Permit and WDR were getting worse not better.

On November 19, 2008, I participated in another tour of the leasehold by IEM and BRP Staff. The same County and State officials participated in the tour, along with many local residents. I observed some cleanup and some erosion control slit fences and wattle. However, BRP, still had not address many other problems.

On January 6, 2009, the CVRWQCB issued a Notice of Violation.

On January 9 2009, the County of Lake issued a Notice of Violations.

A February 2009 survey conducted for BRP found that BRP's use of a backhoe resulted in a trespass and damage to Coleman Family property and caused the streambed alteration damage. This occurred will while BRP was installing unpermitted trails on the Francisco leasehold.

In March 2009, BRP offered a remediation plan for restoration of Coleman property and CVRWQCB looked into soil sampling in and around the sump over possible liner damage. Soil sampling was conducted in meadow and around sumps.

In May 2009 negotiations for Coleman Property come to a halt.

From June 2009 to the present, I continue to work with other residents of the area to ensure that BRP complies with all applicable laws and regulations governing BRP's project. Such activities have included encourage DFG to file a complaint in Superior Court regarding BRP's streambed alterations, and challenging the County of Lake certification of the Final Environmental Impact Report for the 2010 Use Permit.

My photos seem to show the sump liners were badly damaged. (See Exhibit 2.)

It is uncertain whether they were relined to UP 85-27 specifications. Additionally, the streambed alteration has not been fully addressed.

BRP has stated that due to two injection well capacity they have had to store condensate in the cisterns under the power plant and control building. They also are pumping from West Coleman and Francisco to the only working Injection well on Coleman. Are the cisterns contaminated? What level of contamination has occurred in the power plant and inside the fence line?

In order to evaluate the costs for decommissioning, BRP should complete an environment assessment of the power plant and associated steam field. Such an audit should also identify what work has been completed and how it was done and by what contractors.

January 11, 2012 David Coleman

Exhibit 2

Exhibit 2

Photographs submitted by David Coleman

submitted separately by disk

Exhibit 3

This is a complaint regarding Bottle Rock Power, LLC's noncompliance with a decision of the California Energy Commission (Commission). This complaint is filed pursuant to Title 20, California Code of Regulations, Section 1237.

My name is David Coleman and I reside at: 3733 Canon Ave Oakland, CA 94602

The contact information for Bottle Rock Power, LLC:

Brian Harms, General Manager

Bottle Rock Power, LLC

7385 High Valley Road
P.O. Box 326 Cobb, CA 95426

Phone: (707)928-4578

California Energy Commission
DOCKETED
12-CA1-04
TN #67659
OCT 11 2012

Statement of Facts:

The Commission certified the California Department of Water Resources' (DWR) 55 MW Bottle Rock Geothermal Power Plant in 1980. On April 2, 2001, DWR submitted a petition to the Commission to transfer ownership of Bottle Rock Geothermal Power Plant from DWR to Bottle Rock Power Corporation.

The Commission held a hearing on DWR's petition to transfer ownership on May 30, 2001. The main issue at the Commission's hearing was how to insure the cleanup and reclamation of the power plant site upon decommissioning (See Att. 1 , pgs. 82-97, May 30, 2001 hearing transcript). Commission staff recommended that the Commission approve the transfer of ownership on the condition that DWR remain responsible for ensuring the closure and decommissioning of the facility should such action become necessary subsequent to the transfer of ownership. At the hearing, DWR's representative, Mr. Bob James, objected to staff's recommendation and instead pointed to Sections 2.4 and 2.5 of the Purchase Agreement as providing adequate financial assurance that the site will be cleaned up when the plant is decommissioned. Section 2.4 required that, among other things, at the time of sale, Bottle Rock Power deliver a five million dollar surety bond to DWR for the cost of site restoration and remediation. Section 2.5 required the purchase of an Environmental Impairment Insurance Policy of not less than ten million dollars and required that the policy be in effect at all times, through the decommissioning of the plant. (See Att. 2, Sections 2.4 and 2.5 of the Purchase Agreement.) The Commission order approving the transfer quote extensively from Sections 2.4 and 2.5 of the Purchase Agreement, and contained the finding that, "Adequate measures appear to have been taken to enable DWR to ensure the proper closure and decommissioning of the Bottle Rock Power Plant subsequent to the transfer of ownership in the event Bottle Rock Power Corporation is unable to do so." (Att. 3, Commission Order Approving Ownership Transfer, May 30, 2001) The Commission approved the transfer of ownership subject to the following condition:

> "The parties shall strictly adhere to the terms of the "Purchase Agreement for the Bottle Rock Power Plant and Assignment of Geothermal Lease."

I understand that DWR and Bottle Rock Power recently amended the Purchase Agreement to delete Sections 2.4 and 2.5. In response to a Public Records Act request on the issue of the financial assurances, I received a copy of an August 3, 2012 memo from Cathy Crothers, DWR

Chief Counsel to Robert Weisenmiller, Chairman of the California Energy Commission (Att. 4). The memo states in part, "This memo is to advise your agency that the Department of Water Resources (DWR) is planning to amend the 'Purchase Agreement for the Bottle Rock Power Plant and the assignment of Geothermal Lease,' dated April 5, 2001 by the deletion of Sections 2.4 and 2.5 in exchange for a release of any liability of DWR to Bottle Rock Power or the owners of the geothermal steam." Robert Francisco who represents the V. V. and J Coleman Family LLC owners of the property confirmed that the agreement has been amended.

The amendment of the Purchase Agreement to delete Sections 2.4 and 2.5 clearly violates the Commission's May 30, 2001 order. I represent the Coleman Family Trust owners of property adjacent the Bottle Rock Power plant. We are opposed to the amendment because we are not confident that the project owners, a limited liability corporation, will devote adequate funds to the decommissioning of the plant and reclamation of the site. Lake County expressed its opposition to the amendment based on the same reasons, in an August 28, 2012 letter to the Department of Water Resources (Att. 5).

I request that the Commission take action to insure that there is adequate funding for closure and reclamation in the event of decommissioning of the Bottle Rock Power plant. The Commission could remedy this situation by notifying the project owner and DWR that the recent amendment of the Purchase Agreement is null and void as it was not submitted to the Commission for approval pursuant to Title 20, California Code of Regulations, Section 1769. I further request that the Commission conduct a hearing on the issue of financial assurances for the cleanup and decommissioning of the Bottle Rock project. We are concerned that the Department of Water Resources, even prior to the purported amendment of the Purchase Agreement, never enforced the conditions contained in Sections 2.4 and 2.5. My concern results from the fact that, in response to a Public Records Act request that I submitted to DWR requesting documents regarding the surety bond and liability insurance required by those sections, I only received a copy of the letter from Ms. Crothers to Commission Chairman Weisenmiller.

The Commission is authorized to take the actions I request under Public Resources Code Sections 25210 and 25534.

I declare, under the penalty of perjury under the laws of the State of California, that the foregoing is true and correct and that this verification was executed on, October 10, 2012 at 3733 Canon Ave
Oakland CA 94602
California.

Original signed by David Coleman

Att. 1 Transcripts

BUSINESS MEETING

STATE OF CALIFORNIA

ENERGY RESOURCES CONSERVATION AND

DEVELOPMENT COMMISSION

ENERGY COMMISSION

1516 NINTH STREET

HEARING ROOM A, FIRST FLOOR

SACRAMENTO, CALIFORNIA

WEDNESDAY, MAY 30, 2001

10:00 A.M.

JAMES F. PETERS, CSR, RPR
CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 10063

CONTRACT NO: 150-99-02

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

COMMISSION MEMBERS

William Keese, Chairperson

Robert Laurie

Michal Moore

Robert Pernell

Arthur Rosenfeld

James Boyd, Resources Agency

STAFF

Steve Larson, Executive Director

Bill Chamberlain, Chief Counsel

Cheri Davis, Project Manager

Lisa DeCarlo, Staff Counsel

Susan Gefter, Hearing Officer

Chuck Najarian

Dick Ratliff, Staff Counsel

Garret Shean, Hearing Officer

Kerry Willis, Staff Counsel

ALSO PRESENT

Issa Ajlouny

Michael Boyd

Peter Camp(via phone)

Mike Carroll

APPEARANCES CONTINUED

ALSO PRESENT

Tony Chapman

William Claycomb(via phone)

Jim Cole

Elizabeth Cord

Holly Duncan(via phone)

Christopher Ellison

Bob James

Michael Meacham(via phone)

Sharon Segner(via phone)

Alicia Torre

Emilio E. Varanini

INDEX

		PAGE
Pledge of Allegiance		1
1.	Consent Calendar A and C	1
1B	Energy Pro 3.1	1
2.	Metcalf Energy Center Mr. Mike Boyd Ms. Duncan Ms. Cord Mr. Ajlouny	21 22 27 27 36
3.	Mirant Delta LLC's	48
4.	Pegasus Power Partners LLC	61
5.	East Altamont Energy Center	61 107
6.	East Altamont Energy Center	61 107
7.	Bottle Rock Power Corp	82
8.	Contra Costa Water District	97
9.	Department of Motor Vehicles	98
10.	New Buildings Institute	98
11.	Lawrence Berkeley National Laboratory	99
12.	Gas Technology Institute	99
13.	Wind Turbine Company	100
14.	PIER Environmental Technical Support Contract	101
15.	Electric Power Research Institute(EPRI)	101
16.	University of California, Irvine	102
17.	California Air Resources Board	102

INDEX CONTINUED

		PAGE
18.	Carl Moyer Advanced Technology Program	103
19.	Minutes	115
20.	Energy Commissioner and Oversight	115
21.	Chief Counsel's Report	115
22.	Executive Director's Report	115
23.	Public Adviser's Report	115
24.	Public Comment	116
25.	Modesto Irrigation District	104
26.	Site Regulations, General Discussion	104
27.	Otay Mesa Generating Project	3
	Mr. Claycomb	5
	Ms. Duncan	9
	Mr. Meacham	11
	Mr. Mike Boyd	15
	Mr. Carroll	16
Adjournment		116
Reporter's Certificate		117

1 CHAIRPERSON KEESE: We're putting this item over
2 for a few minutes.
3 COMMISSIONER LAURIE: Mr. Chairman, I would ask
4 what the Commission's intention are regarding the schedule
5 for today. I can tell you that I have an appointment
6 shortly after the noon area, and --
7 CHAIRPERSON KEESE: The Chair has to leave here
8 at 1:00 o'clock.
9 COMMISSIONER MOORE: I understood that we pushed
10 back till 1:00, so I've modified my lunch plans to go to
11 lunch at 1:00 o'clock.
12 COMMISSIONER LAURIE: Would that work for you?
13 CHAIRPERSON KEESE: Let's try another easy one.
14 Item 7, Bottle Rock Power Corporation. Possible
15 approval of a Petition for a Change of Ownership of the
16 Bottle Rock Geothermal Power Plant from California
17 Department of Water Resources to the Bottle Rock Power
18 Corporation.
19 MR. NAJARIAN: My name is Chuck Najarian. I'm
20 the power plant compliance program manager for the Energy
21 Commission.
22 The Department of Water Resources has petitioned
23 the Commission to approve an ownership change for their
24 Bottle Rock Geothermal Power Plant in the geyserous region
25 of California. The proposed new owner Bottle Rock Power

1 Corporation intends to restart the power plant, a facility
2 that has been in suspension for the last 11 years, due to
3 uneconomical operational history.
4 Staff is recommending approval of the ownership
5 change conditioned upon DWR remaining responsible to the
6 extent necessary for the facility closure. We must find
7 that the knew owner can meet all conditions of
8 certification and subsequent amendments in order to
9 recommend approval of the ownership change.
10 Staff cannot make that finding until there is
11 more certainty that plant closure, should it occur, will
12 be expeditious and environmentally sound. Ideally, the
13 prospective project owner will fully participate in the
14 closure process.
15 However, there are reasons to be concerned about
16 closure. First, the Bottle Rock Power Corporation is a
17 newly formed company with no history of power plant
18 development. Second, there are legitimate questions about
19 steam supply, and therefore a successful profitable
20 restart.
21 After all, it was the lack of steam supply and
22 quality that resulted in DWR putting their plant in
23 suspension for the last 11 years.
24 Apparently, DWR has similar concerns because they
25 negotiated a $5 million closure bond and $10 million

1 environmental insurance policy. The policy and bond are
2 to be paid by the new owner and they're to be held by DWR.
3 DWR has indicated that their bond is more than adequate to
4 address closure.
5 However, DWR was concerned enough about
6 successful restart that they included a requirement to
7 revisit the bond every three years so that it could be
8 adjusted over time depending on DWR engineering
9 evaluations.
10 DWR has taken these steps, which staff equates to
11 responsibility, while at the same time, DWR refuses to be
12 named a responsible party if Bottle Rock Power Corporation
13 is unable to perform closure.
14 Although DWR has negotiated the requirement of a
15 bond, and that they be named coinsured on the
16 Environmental Protection Policy, no provision has been
17 made regarding the administration of bond and insurance
18 proceeds.
19 In other words, we ask who will attempt to access
20 the bond and carry out closure.
21 At first glance, one might conclude that the $5
22 million closure bond should alleviate staff's concerns
23 relative to closure of this facility.
24 Bonding, however, is not money in the bank.
25 Bonding companies are not motivated to pay millions of

1 dollars. In fact, their motivation is quite the opposite.
2 Bankruptcy proceedings can complicate things even further.
3 DWR has an obligation to participate in closure
4 as needed. They obtained the original power plant
5 license, agreed to regulatory requirements, built the
6 power plant, were preparing to close facility and begin
7 working with the community, local government and the
8 Commission to that end.
9 A prospective buyer changed their plans, but not
10 their responsibility to the community and the Commission,
11 given concerns about successful restart and effective
12 closure.
13 In the final analysis, if the new owner cannot
14 participate in closure and if DWR does not remain
15 responsibile, responsibility for closure could be
16 transferred to the Commissioner as a result of this
17 ownership change.
18 We urge the Commission to hold DWR accountable,
19 ensure the Commission is never in the inappropriate
20 position of acting as a power plant owner, and find DWR
21 responsible by conditioning the ownership change as
22 articulated in staff's recommendations.
23 That concludes staff's prepared remarks. I'd be
24 happy to answer any questions.
25 CHAIRPERSON KEESE: Thank you. Let's hear from

1 the applicant.

2 MR. JAMES: Bob James, Department of Water

3 Resources Counsel. The Department cannot accept that

4 condition and we will withdraw the petition to approve the

5 change of ownership if that condition is to be imposed.

6 The Department has always wanted to get rid of

7 this plant in an as-is condition and with no further

8 responsibility for it, except what may be in our

9 agreement.

10 And that's been our effort, and we worked with

11 your staff to succeed in doing that. You, the staff, has

12 proposed two conditions. The first condition is

13 acceptable and it says we'll enforce the agreement, and we

14 will. We'll be responsible for getting to the bonding

15 company if it's necessary to get to the bonding company,

16 and to get the insurance coverage, if we need to, but we

17 will not accept responsibility for any financial

18 commitment to the decommissioning of the project.

19 We believe that we've gotten adequate security.

20 We have an appraisal of which we base the five million.

21 We're getting $10 million worth of environmental insurance

22 to do any environmental cleanup. All of those will be

23 enforced until at least decommissioning is completed. The

24 bond actually goes five years after the end of

25 decommissioning.

1 We can, at any time actually, change the amount
2 of the bond by requesting a reevaluation, which has to be
3 done every three years, but we can do it sooner or so can
4 the buyer, and we can get it appraised. And if need be,
5 we can add more money to the bond, if it looks like the
6 five million is inadequate.
7 We think we've done something that no other
8 applicant to this agency has ever done. We don't know of
9 anybody that's ever been required to do this much and now
10 we're being asked to do more. There's a number of plants
11 that you've approved even up in the geysers for companies
12 that don't have anymore assets than the Bottle Rock Power
13 Corporation has.
14 There's lots of Limited Liability Corporations up
15 there. This plant can't be restarted until you consider
16 the application to restart under your regulation 1769(a).
17 And, at that time, if you see a need for additional
18 security, then I suggest you ask the buyer of Bottle Rock
19 Power Company for additional security.
20 Also, the steam field is under the jurisdiction
21 of the County of Lake. The County of Lake is certainly in
22 a position to ask for security in giving a permit for the
23 steam field.
24 So we think there are other alternatives besides
25 trying to hold the former applicant responsible. And

1 we've felt that the five million is adequate. We advised
2 your staff that we were going to go for five million and
3 we've seen no objection until the petition was filed and
4 now we've got a problem.
5 CHAIRPERSON KEESE: Thank you.
6 Mr. Varanini briefly.
7 MR. VARANINI: Thank you, Mr. Chairman. Gene
8 Varanini with Livingston and Mattesich. I represent the
9 Bottle Rock Power Corporation.
10 I think that DWR has made all the important
11 points. I think from our perspective, we would note that
12 virtually all of your approvals for all of your power
13 plants are to Limited Liability Corporations. And these
14 are corporations who know how to protect the corporate
15 veil from their limited liability companies back up the
16 Chain of Command.
17 So you could have $13 billion and all you've
18 really got on the ground are the assets on the ground and
19 other assets of that Limited Liability Corporation.
20 First of all, there's a set of sureties in place.
21 There's surety to the county. There's surety to the
22 Department of Oil and Gas and surety to the Department of
23 Water Resources. We applaud the three-year adjustment,
24 because the normal three-year adjustment is you transfer,
25 basically, coverage from insurance to the assets of the

1 company itself.

2 So, in that case, as we go forward, we produce

3 power, those assets become part of the surety arrangement

4 as you go forward and the company becomes essentially, if

5 possible, self assured.

6 That's the way it normally works, and I think

7 that, in fact, we did a very detailed estimate ourselves

8 of our exposure. After all, it's our exposure. We're

9 bringing in substantial new capital to get this thing

10 restarted. Our exposure number was about 3.5 million and

11 the Department beat us upside of the head and basically

12 increased the surety bond to the $5 million amount. I

13 also pointed out on top of the $5 million there are

14 salvage values, and their are two other surety processes

15 in place.

16 And I think what we want to do is bring 55

17 megawatts of green power on line as quickly as possible.

18 We've got a four-month window. We will be back for your

19 approval, and we hope to have this thing restarted in four

20 months.

21 CHAIRPERSON KEESE: Thank you, Mr. Varanini.

22 Do we have any --

23 COMMISSIONER PERNELL: Mr. Chairman.

24 CHAIRPERSON KEESE: Commissioner Pernell.

25 COMMISSIONER PERNELL: So I can understand this.

1 We have -- you're with the Department of Water Resources,
2 sir.
3 MR. JAMES: Yes.
4 COMMISSIONER PERNELL: And the Department of
5 Water Resources, we're doing an ownership change? You're
6 selling it to the applicant?
7 MR. JAMES: Right.
8 CHAIRPERSON KEESE: The project.
9 COMMISSIONER PERNELL: And staff is recommending,
10 which I think that we need to have some assurances that if
11 the project is not successful, that it will be cleaned up.
12 And so staff is holding the Department of Water
13 Resources or trying -- suggesting that they be liable for
14 the cleanup, if the applicant doesn't complete it.
15 That's kind of the case here, right?
16 MR. JAMES: That's what I understand the staff
17 wants to do, yes.
18 COMMISSIONER PERNELL: Okay. So I have two
19 thoughts on this. One of them is it's difficult to -- I
20 mean, if I was to put this in a different scenario, and I
21 sold my house to Chairman Keese. And he stayed in it ten
22 years and I had to clean it up and then, you know, the
23 prospective owner comes back on me, so I don't think
24 that's really justified to have someone else liable for
25 something after you sold it.

1 However, I am certainly in agreement with staff
2 that someone has to be liable for the cleanup and that we
3 have to be assured that there's enough revenue in order to
4 do that to make us comfortable that if this project
5 doesn't go forward, that someone would be liable for
6 cleanup, and I would suggest that that someone be the
7 owner, whomever that might be. But that the previous
8 owner be liable, I'm not sure that I'm there.
9 So I would be looking for either some additional
10 bonding capacity or something to ensure that the cleanup
11 will, in deed, happen, but not so much leave it to the
12 Department of Water Resources to be liable for.
13 CHAIRPERSON KEESE: Commissioner Pernell, as I
14 recall, I received in writing, and I heard here, if we're
15 going to require DWR to stay on it, they're off the deal.
16 They withdraw the application for sale. So I think we
17 have to look at it on its face that if we -- we have to
18 look at this as if it is a transfer, we approve it, or we
19 don't approve it.
20 COMMISSIONER MOORE: Mr. Chairman, I think I do
21 understand what Commissioner Pernell is saying. And if my
22 interpretation of this is right, it does satisfy his
23 concerns. So let me iterate what I understand, and I'll
24 make it in the form of a motion. And if I get a second,
25 then we can debate that.

1 I would move that we accept the transfer and
2 accept the offer of liability protection for closure in
3 the form of a bond, as suggested by the applicant, and as
4 the Department of Water Resources has suggested would meet
5 their requirements or it's the equivalent of what they
6 would have to propose or spend in order to clean up.
7 If we accept that, the Department of Water
8 Resources will not be -- the transfer will go ahead and
9 the Department of Water Resources will not be the owner
10 anymore, but we will have a bond of adequate capacity to
11 cover closure and any cleanup that might be there.
12 COMMISSIONER LAURIE: I'll second the motion, Mr.
13 Chair.
14 CHAIRPERSON KEESE: Motion by Commissioner Moore,
15 second by Commissioner Laurie.
16 COMMISSIONER MOORE: On the motion, Mr. Chairman?
17 CHAIRPERSON KEESE: And let me clarify we have a
18 proposed order here, and I believe that what you're
19 saying, and I'll push it so that we understand, this would
20 be the staff motion deleting Section B?
21 COMMISSIONER MOORE: That's right.
22 CHAIRPERSON KEESE: Okay.
23 COMMISSIONER MOORE: That's correct. And Mr.
24 Chairman --
25 CHAIRPERSON KEESE: On the motion.

1 COMMISSIONER MOORE: On the motion, the reason
2 that I believe that motion addresses Commissioner
3 Pernell's question is that it does not leave the trail
4 back to a recalcitrant or reluctant DWR. In fact, it
5 removes them and puts in place a surety bond. And I
6 understand the difficulty that individuals from staff and
7 all the way up to Commissioners have with bonds.
8 I have done a little bit of investigation to find
9 out whether there was an alternative. I can't find one.
10 So in this sense, we have to trust to the market forces
11 that that kind of a posting does cover us.
12 Frankly, I want to stay away from something that
13 involves a disagreement between agencies here, and simply
14 go to the market and say this is a transfer in good faith
15 and I think the money is enough to cover the projected
16 costs of clean up. And I hope, I trust that that answers
17 Commissioner Pernell's questions.
18 If it doesn't, I probably would be prepared to
19 withdraw the motion.
20 COMMISSIONER PERNELL: Well, that goes along,
21 way. Yes, sir.
22 COMMISSIONER LAURIE: Mr. Chairman, if I may.
23 CHAIRPERSON KEESE: Commissioner Laurie.
24 COMMISSIONER LAURIE: I am respectful and I have
25 concurrence with the concerns expressed by Mr. Najarian.

1 I don't look at it as DWR selling it. I look at it as the
2 State of California selling it. They just happen to have
3 a different first name than we do, so the State, either
4 one way or the other, will bear some degree of ethical, if
5 not legal, responsibility should things go upside down.
6 I'm fully aware of the problematic nature of
7 seeking to enforce a bond. In my career, I've sought to
8 do so many times, and I find the process to be rigorous.
9 I know of no viable substitute for that. You can't do
10 cash. You can't do letter of credit, which is based on
11 cash. I think alternatives are simply not available. And
12 the bottom line, I think as a matter of public policy,
13 it's in the best interests of the State to have the
14 transfer go through. And for that I, as a commissioner,
15 am willing to bear the risk.
16 CHAIRPERSON KEESE: Thank you. We have a
17 motion --
18 COMMISSIONER PERNELL: Mr. Chairman, on the
19 motion.
20 CHAIRPERSON KEESE: Commissioner Pernell.
21 COMMISSIONER PERNELL: Two other concerns. One
22 of them is the bonding company itself, and I raise this
23 because I was reading in the paper about a bonding company
24 for a golf course that, you know, was a shell.
25 So I would recommend that the bonding company be

1 not only licensed, but actually checked out to make
2 sure --
3 COMMISSIONER LAURIE: It would have to be a --
4 COMMISSIONER PERNELL: -- it is a legitimate
5 bonding company.
6 And the other one is, and I'll address this to
7 staff, whether or not they feel that the $5 million bond
8 is sufficient for cleanup?
9 MR. NAJARIAN: Thank you, I want to take that
10 opportunity to clarify certain remarks that were made.
11 Staff has never contested that $5 million bond. We're not
12 asking to add to that amount. I want to make that real
13 clear.
14 Our concern is that the vehicle for the funding,
15 i.e. the bond, and the administration of those proceeds, I
16 mean, I can look forward. I can think about the logistics
17 of all that. And it might sound fairly straightforward
18 upfront, but I can imagine what would be involved should a
19 worst case situation unfold, so that's what we're bringing
20 to the table, not the amount.
21 CHAIRPERSON KEESE: Thank you. And I would say
22 in that regard, I did hear DWR indicate that they would
23 use their best efforts in enforcing that. I think, if you
24 would, it would be helpful to us if we would receive that
25 in writing.

1 MR. NAJARIAN: Yes.

2 CHAIRPERSON KEESE: And it probably will be

3 important as we proceed, because if we approve this

4 transaction Bottle Rock will be back in front of us in

5 another four months. I think it would be appropriate if

6 you would give us that in writing.

7 Do we have -- Commissioner Laurie.

8 COMMISSIONER LAURIE: Mr. Chairman, I want to

9 make sure my position is clear again. I agree with Mr.

10 Najarian.

11 If we too enforce the bond, it's going to be our

12 responsibility to do something with it. I think that

13 would be a challenge. I think that will be a difficult

14 thing to do. And I think we'll be a mess.

15 I am voting for the name change to allow it to go

16 forward. Simply in balancing the State's interests, I

17 think it's simply the better thing to do. And I fully

18 respect the problems that we will encounter should an

19 enforcement against the bond be necessary.

20 CHAIRPERSON KEESE: Thank you.

21 All in favor?

22 (Ayes.)

23 CHAIRPERSON KEESE: Opposed?

24 Adopted five to nothing.

25 SECRETARY McCANN: Mr. Chairman, we need to take

ATT. 2 Purchase Agreement.

2.4 Security for Decommissioning and Reclamation Liabilities. Buyer agrees to provide security in the form of a surety bond on or before the Closing Date from a firm acceptable to Seller in the initial amount of Five Million Dollars ($5,000,000). Said security is to provide a guarantee of payment of any sums required to meet Buyer's obligations under Section 7.1 (e) of this Agreement. Said security shall consist of a surety bond which meets the following requirements:

(a) Said surety bond shall be issued by an admitted surety insurer, as defined in subdivision (a) of Section 995 of the Code of Civil Procedure and substantially in the form of the attached Exhibit D.

Said security shall not be construed as a limitation on any obligation of Buyer to indemnify Seller. Said security shall be delivered to Seller at Closing. Every third year after Closing, or more often at the option of Seller or Buyer, Buyer shall submit to Seller for Seller's approval an independent engineering estimate of the cost to meet the obligations of Sections 7.1 (e) of this Agreement. If such estimate (as approved by Seller) exceeds Five Million Dollars ($5,000,000 U.S.), the Buyer shall promptly increase the security to cover the amount of the estimated cost plus twenty-five percent (25%). Buyer may reduce the amount of security to the estimated cost plus twenty-five percent (25%) if such estimated cost (as approved by Seller) has been reduced below the previous approved estimate by twenty-five percent (25%) or more. Such reduction shall provide that the amount of the security is at least twenty-five percent (25%) above the current approved estimate of cost. This security

shall remain in place until five (5) years after completion of all decommissioning at which time Buyer may terminate it, and any funds remaining shall be the property of Buyer, provided, however, if Seller receives a complete release of all liability under the Francisco Steam Field Lease, then Buyer may adjust the amount of the bond to the amount of an independent engineering estimate approved by Seller of the cost to decommission the Plant and Steam Field required to meet the requirements of the California Energy Commission, the County of Lake and any other regulatory agency with jurisdiction.

(b) Not more than once in any one year, upon 48 hours advance written notice by Seller to the Buyer, Seller may inspect the leasehold premises to determine whether or not there is any substantial hazardous substance contamination on the property from the operation of the Power Plant or Steam Field or any related facilities. If Seller finds any such contamination, Seller may require Buyer to cease any operations causing such contamination and to clean-up and remedy all such contamination in accordance with applicable legal standards. Seller shall not incur any liability as a result of the findings of any such inspection, regardless of whether or not it discovers any such contamination, notifies Buyer of the discovery any such contamination, or takes or fails to take any action with respect to such contamination that it discovers. No such inspection by Seller shall relieve the Buyer of any liability for any contamination hereunder or at law.

(c) The provisions of the first paragraph of this Section 2.4 notwithstanding, at closing and on a temporary basis, not to exceed one year, Buyer may elect in its discretion to substitute a letter of credit as the security required by this Section 2.4, provided, however;

(i) said letter of credit shall be in the same amount and shall have substantially the same terms and conditions as those specified above for the surety bond,

(ii) the form and content must be approved prior to closing and as a condition precedent to closing by Seller, and

(iii) the issuer of the letter of credit must be approved prior to closing and as a condition precedent to closing by Seller.

(iv) if for any reason the surety bond required by this Section has not been secured by the time of the termination of the temporary letter of credit, Buyer shall immediately commence to deposit 10 percent of its gross revenue each and every month into an escrow account to be established with an escrow agent acceptable to Seller and on terms and conditions to be approved by Seller as the required security. Said deposits shall continue until said escrow account has on deposit Five Million Dollars ($5,000,000 U.S.) at which time further deposits will cease. Provided, however, said escrow account shall be subject to the same adjustment provisions provided above for the surety bond. If the amount of required security is increased above the Five Million

Dollars ($5,000,000 U.S.), Buyer shall deposit additional funds in the escrow account at the same rate specified above until the new limit is reached. If the amount of security required is reduced to an amount less than Five Million Dollars ($5,000,000 U.S.). Buyer may withdraw from the escrow account the difference between the required security amount and the Five Million Dollars ($5,000,000 U.S.) amount: Buyer may at anytime substitute the above described surety bond in place of the escrow account and may then withdraw all funds from the escrow account.

2.5 Environmental Impairment Insurance Buyer shall at or prior to the Closing have purchased a policy of liability insurance, substantially in the form attached as Exhibit E which insures Seller and Buyer against all legally insurable liability referred to in Section 7.1(e) and 7.1(f) herein (excluding fines) ("Environmental Policy"). Said Environmental Policy shall not be, and shall not be construed to be, a limitation on any obligation of Buyer to indemnify Seller. Seller, its officers and employees shall be designated as co-named insureds on the Environmental Policy. The Environmental Policy's limits of liability shall not be less than ten million dollars ($10,000,000 U.S.). Such policy shall include, but not be limited to the following: (a) a provision that the insurer give a minimum of forty-five (45) days notice to Seller of any termination of coverage, (b) Buyer is the first named insured and is responsible for all reporting and premium payment obligations under the policy, (c) payment of all deductibles under the policy is the sole obligation of the first named insured, (d) that this contract between Buyer and Seller is listed as an "Insured Contract." An original

copy of the binder for such Environmental Policy shall be provided to Seller at Closing as a condition on precedent to closing, and an original copy of this policy shall be provided to Seller as soon as it is available. Said insurance shall be in effect at all times during operation and decommissioning of the Purchased Assets (or any part of thereof) and all facilities on the premises covered by the Francisco Steam Field Lease (the "Leased Premises"), including wells and gathering systems. Seller will not be responsible for payment of any premiums, assessments or deductibles on or under the Environmental Policy. In the event the insurance expires or is terminated Buyer shall provide to Seller at least thirty (30) days prior to such termination an original a copy of a new insurance policy that will be effective upon or prior to termination of the policy being terminated with coverage as provided herein. Should the Purchased Assets (or any material portion thereof) or the Leased Premises be transferred to another person or entity, the transferee(s) will be required to assume the Buyer's obligation to provide the foregoing insurance. If the Buyer or its transferee(s) fails to provide the foregoing insurance, Seller may, at its option, and without limiting such other rights as it may have, file suit to compel Buyer and/or such transferee(s) to provide or pay for such insurance, and compel or seek reimbursement from Buyer for any loss, damage or expense resulting therefrom.

2.6 Environmental Site Assessment. Prior to closing Buyer will contract with a qualified, independent consultant acceptable to Seller for an environmental site assessment satisfactory to Seller of the Bottle Rock Power Plant and Francisco Steam Field to determine what if any hazardous materials are present on the property. Seller shall reimburse Buyer for one-half of the

ATT 3

DOCKET
79-AFC-4C
DATE MAY 30 2001
RECD. MAY 30 2001

STATE OF CALIFORNIA
ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT COMMISSION

In the Matter of:	)	Docket No. 79-AFC-4C
	)	Order No. 01-0530-07
Bottle Rock Geothermal Power Project	)	
	)	
Petition for the Transfer of Ownership from the California Department of Water Resources to Bottle Rock Power Corporation	)	**COMMISSION ORDER APPROVING OWNERSHIP TRANSFER**

INTRODUCTION

On April 6, 2001, the California Department of Water Resources (DWR) submitted a Petition to transfer ownership of the Bottle Rock Geothermal Power Plant from DWR to the Bottle Rock Power Corporation. Pursuant to Title 20, California Code of Regulations, Section 1769(b), the Commission's Executive Director, relying on a review of the application by Commission Staff and other governmental agencies, has recommended that the Commission approve the Petition for transfer of ownership on the condition that DWR remain responsible for ensuring the closure and decommissioning of the facility should such actions become necessary subsequent to the transfer of ownership.

SUMMARY OF HEARING

At a regularly scheduled business meeting on May 30, 2001, the Commission received the Executive Director's recommendation, as well as a copy of the "Purchase Agreement for the Bottle Rock Power Plant and Assignment of Geothermal Lease" and copies of all pertinent Memoranda and correspondence between Commission Staff, DWR and Bottle Rock Power Corporation and its representatives and comments from the parties.

BACKGROUND

The Commission certified the 55 MW DWR Bottle Rock Geothermal Power Plant in 1980 for the purpose of providing electricity for the State Water Project. The Commission's jurisdiction over the development of the Bottle Rock facility was primarily limited to the power plant site. Development of the underlying steamfields remains under the jurisdiction of Lake County pursuant to Lake County Amended Use Permit 85-27.

Operations at the Bottle Rock facility commenced in 1985. By 1990, DWR elected to close the facility due to a lack of steam. According to DWR, the Bottle Rock facility rarely attained 40 MW. The Commission approved an amendment to the conditions of certification that modified the monitoring and reporting requirements in consideration of the plant's shutdown status in April 1993 (Energy Commission Order #93-0426-02). The Commission approved an extension for the suspension of operations in October1997, allowing DWR an additional three years to prepare a facility closure plan [Energy Commission Order #97-1203-1(a)]. DWR has not filed a closure plan with the Commission to date.

In order for the Bottle Rock facility to be restarted, a petition to restart the plant and to amend the current suspended monitoring and reporting requirements must be filed in accordance with Title 20, California Code of Regulations, Section 1769(a). A petition to restart the facility would be evaluated for possible changes to the original conditions of certification and the possible need to impose new conditions to assure compliance with all current laws, ordinances, regulations, and standards.

Commission staff is concerned that, given the facility's poor performance history, the proposed acquisition by the Bottle Rock Power Corporation could be considered a highly speculative business transaction. Additionally, the Bottle Rock Power Corporation was only recently formed and its financial capability to fund decommissioning activities is uncertain. In light of these concerns and in the interest of ensuring the continued protection of public health and safety and the environment, staff requested, by way of correspondence dated April 26, 2001, DWR to provide the following:

1. A copy of the purchase agreement between DWR and Bottle Rock Power Corporation,
2. A copy of any appraisals by or for DWR providing an estimate of costs for decommissioning activities,
3. A brief summary of the salient points of the purchase agreement addressing any financial security associated with the potential decommissioning of the facility and environmental mitigation, and
4. A description of any continued responsibilities or obligations that will be retained by DWR subsequent to the proposed transfer of ownership.

DWR responded to Commission Staff's request for further information by way of correspondence dated May 2, 2001, attached to which was, among other things, a copy of the "Purchase Agreement for the Bottle Rock Power Plant and Assignment of Geothermal Lease" (the Purchase Agreement).

Section 2.4 of the Purchase Agreement requires Bottle Rock Power Corporation to provide DWR with a five million dollar ($5,000,000) surety bond to be delivered to DWR at the closing of the transaction. Bottle Rock Power Corporation is further required to submit an independent engineering estimate of the cost to decommission the facility and for all site restoration and remediation obligations for DWR's approval every third year after closing. That section further requires that, if such engineering estimate

exceeds $5,000,000, Bottle Rock Power Corporation shall increase the security to cover the amount of the estimated cost plus twenty-five percent (25%). The amount of the security may also be reduced to the estimated cost to decommission the facility and for site restoration and remediation, plus 25%, in the event the estimated cost is less than the initial $5,000,000 security amount. The security is to remain in place until five (5) years after completion of all decommissioning.

Section 2.4 of the Purchase Agreement further authorizes DWR to inspect the premises to determine whether substantial hazardous substance contamination on the property exists on the property from the operation of the facility or any related facilities. In the event DWR finds any such contamination, DWR may require Bottle Rock Power Corporation to cease any operations causing such contamination and to clean-up and remedy all such contamination.

Section 2.4 of the Purchase Agreement authorizes Bottle Rock Power Corporation to elect to substitute a letter of credit as the security required under that section in the same amount and on the same terms and conditions as those specified relative to the surety bond.

Section 2.5 of the Purchase Agreement requires that, at or prior to closing of the transaction, Bottle Rock Power Corporation shall have purchased an Environmental Impairment Insurance policy, with limits of liability in an amount not less than ten million dollars ($10,000,000), designating DWR as co-named insureds. The insurance policy must remain in effect at all times during operation and the decommissioning of the power plant, and extends to the associated steam fields.

Finally, in its May 2, 2001 correspondence in response to Commission Staff's request for further information relative to the transaction, DWR indicated that "(t)he Department will not have any continued responsibilities or obligations subsequent to the proposed transfer unless they are imposed by law and the Buyer fails to meet its obligation to take care of them".

COMMISSION FINDINGS

The Commission hereby finds that DWR's Petition for transfer of ownership satisfies the requirements of Title 20, California Code of Regulations, Section 1769(b). Bottle Rock Power Corporation will be responsible for complying with the Commission's conditions of certification and all subsequent Energy Commission Orders. Adequate measures appear to have been taken to enable DWR to ensure the proper closure and decommissioning of the Bottle Rock Power Plant subsequent to the transfer of ownership in the event Bottle Rock Power Corporation is unable to do so. And, Ronald E. Suess, President of the Bottle Rock Power Corporation, has filed the requisite statements verifying that Bottle Rock Power Corporation understands and agrees to comply with the conditions of certification.

ORDER

Having considered staff's recommendation and comments from the parties and all submitted documents, the Commission hereby approves the transfer of ownership of the Bottle Rock Power Plant from the California Department of Water Resources to Bottle Rock Power Corporation subject to the following condition:

(a) The parties shall strictly adhere to the terms of the "Purchase Agreement for the Bottle Rock Power Plant and Assignment of Geothermal Lease".

Dated: 5/30/01

State of California
Energy Resources Conservation
And Development Commission

WILLIAM J. KEESE
Chairman

ATT. 4

Bob James

AUG 3 2012

Robert Weisenmiller, Chairman
California Energy Commission
1516 Ninth Street
Sacramento, California 95814

Amendment to Purchase Agreement for the Bottle Rock Power Plant and Geothermal Steam Lease

This memo is to advise your agency that the Department of Water Resources (DWR) is planning to amend the "Purchase Agreement for the Bottle Rock Power Plant and the assignment of Geothermal Steam Lease," dated April 5, 2001 by the deletion of Sections 2.4 and 2.5 in exchange for a release of any liability of DWR to Bottle Rock Power or the owners of the geothermal steam.

We have enclosed a copy of the contract so that you may evaluate any potential effects on your agency by this proposed amendment.

If you have any comments please e-mail me at ccrothers@water.ca.gov or contact me by phone.

Original Signed By

Cathy Crothers
Chief Counsel
(916) 653-5613

cc: Chris Marxen
California Energy Commission
Compliance Office
1516 Ninth Street
Sacramento, California 95814

County of Lake
Attention: Department of Public Works
255 N. Forbes Street
Lakeport, California 95453

Enclosure

BJames:LBoosalis
S:\JAMES, BOB\Correspondence\Bottle Rock\9045 memo R Weisenmiller CA Energy Commission Bottle Rock Am.doc

ATT. 5

COUNTY OF LAKE
COMMUNITY DEVELOPMENT DEPARTMENT
Planning Division
Courthouse - 255 N. Forbes Street
Lakeport, California 95453
Telephone 707/263-2221 FAX 707/263-2225

August 28, 2012

Ms. Cathy Crothers
Chief Counsel
Department of Water Resources
P.O. Box 942836
Sacramento, CA 94236

Subject: Amendment to Purchase Agreement for the Bottle Rock Power Plant and Geothermal Steam Lease

Ms. Crothers:

The County of Lake Community Development Department has reviewed the proposed Amendment to Purchase Agreement for the Bottle Rock Power Plant and Geothermal Steam Lease. The County is opposed to this amendment because we are not confident that adequate funds or securities exist elsewhere to guarantee the eventual decommissioning and reclamation of the site in the future.

Bottle Rock Power, LLC (BRP) is a limited liability corporation whose power plant is operating at a fraction of its rated capacity. They have not started construction on an approved steam field expansion project that was approved approximately 20 months ago. Further, BRP's Use Permit for the existing steam field will expire next year if not renewed and there may be disagreement between BRP and the County concerning the need for the previous Use Permit to be renewed. While the County remains supportive of BRP's operations and hopes that they will be a successful long term operation, these factors do not illustrate the type of strong situation that the County would like to see when a project sponsor is requesting to assume more liability.

Please contact me with any questions or concerns regarding this issue.

Regards,

Will Evans,
Assistant Resource Planner

CALIFORNIA ENERGY COMMISSION
1516 Ninth Street
Sacramento, California 95814

Main website: www.energy.ca.gov

Form CEC-108: SERVICE ON THE CHIEF COUNSEL

PURPOSE OF THIS FORM:

Energy Commission regulations found in Title 20 of the California Code of Regulations set forth three instances in which petitions or requests must be filed with or served on the Chief Counsel. The Chief Counsel has designated the Dockets Office as his agent for accepting service or filing of the following documents. The documents identified in this form will be deemed filed with or served on the Chief Counsel on the date they are docketed, provided this completed form is docketed with them. This form is your instruction to the Docket Office staff to serve your document on the Chief Counsel. You may **use this form** to initiate a proceeding under any of the three sections (Section 1231, Section 1720, and Section 2506), **cut and paste** the information below into an email, or **type the information below** into an email that accompanies your document to the Docket Office. The email address for the Dockets Office is docket@energy.ca.gov. The mail address is 1516 9th Street, MS-4, Sacramento, CA 95814.

Filer's Name: David Coleman

Title of document to be served: Complaint concerning Bottle Rock Power

This document relates to docket #: 79-afc-4c

Please check only one of the following boxes:

☑ **Section 1231**: I am filing a **complaint or request for investigation.** Please file my document with the Chief Counsel.

☐ **Section 1720**: I am filing a **petition for reconsideration of a decision or order** within 30 days after the decision or order is final. Please file my document with the Chief Counsel.

☐ **Section 2506**: I am serving a **petition to inspect or copy confidential records**. Please serve my document on the Chief Counsel.

This form is available at the Docket Unit counter and on the Energy Commission website at [www.energy.ca.gov/commission/chief_counsel/docket.html]. **Please see the instructions that accompany this form for more information.**

IF YOU NEED ASSISTANCE COMPLETING THIS FORM, PLEASE CONTACT THE COMMISSION'S PUBLIC ADVISER AT (800) 822-6228, or (916) 654-4489 or EMAIL: PUBLICADVISER@ENERGY.CA.GOV

Exhibit 4

ATT 3

DOCKET
79-AFC-4C
DATE MAY 30 2001
RECD. MAY 30 2001

STATE OF CALIFORNIA
ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT COMMISSION

In the Matter of:	)	Docket No. 79-AFC-4C
	)	Order No. 01-0530-07
Bottle Rock Geothermal Power Project	)	
	)	
Petition for the Transfer of Ownership from the California Department of Water Resources to Bottle Rock Power Corporation	)	**COMMISSION ORDER APPROVING OWNERSHIP TRANSFER**

INTRODUCTION

On April 6, 2001, the California Department of Water Resources (DWR) submitted a Petition to transfer ownership of the Bottle Rock Geothermal Power Plant from DWR to the Bottle Rock Power Corporation. Pursuant to Title 20, California Code of Regulations, Section 1769(b), the Commission's Executive Director, relying on a review of the application by Commission Staff and other governmental agencies, has recommended that the Commission approve the Petition for transfer of ownership on the condition that DWR remain responsible for ensuring the closure and decommissioning of the facility should such actions become necessary subsequent to the transfer of ownership.

SUMMARY OF HEARING

At a regularly scheduled business meeting on May 30, 2001, the Commission received the Executive Director's recommendation, as well as a copy of the "Purchase Agreement for the Bottle Rock Power Plant and Assignment of Geothermal Lease" and copies of all pertinent Memoranda and correspondence between Commission Staff, DWR and Bottle Rock Power Corporation and its representatives and comments from the parties.

BACKGROUND

The Commission certified the 55 MW DWR Bottle Rock Geothermal Power Plant in 1980 for the purpose of providing electricity for the State Water Project. The Commission's jurisdiction over the development of the Bottle Rock facility was primarily limited to the power plant site. Development of the underlying steamfields remains under the jurisdiction of Lake County pursuant to Lake County Amended Use Permit 85-27.

Operations at the Bottle Rock facility commenced in 1985. By 1990, DWR elected to close the facility due to a lack of steam. According to DWR, the Bottle Rock facility rarely attained 40 MW. The Commission approved an amendment to the conditions of certification that modified the monitoring and reporting requirements in consideration of the plant's shutdown status in April 1993 (Energy Commission Order #93-0426-02). The Commission approved an extension for the suspension of operations in October1997, allowing DWR an additional three years to prepare a facility closure plan [Energy Commission Order #97-1203-1(a)]. DWR has not filed a closure plan with the Commission to date.

In order for the Bottle Rock facility to be restarted, a petition to restart the plant and to amend the current suspended monitoring and reporting requirements must be filed in accordance with Title 20, California Code of Regulations, Section 1769(a). A petition to restart the facility would be evaluated for possible changes to the original conditions of certification and the possible need to impose new conditions to assure compliance with all current laws, ordinances, regulations, and standards.

Commission staff is concerned that, given the facility's poor performance history, the proposed acquisition by the Bottle Rock Power Corporation could be considered a highly speculative business transaction. Additionally, the Bottle Rock Power Corporation was only recently formed and its financial capability to fund decommissioning activities is uncertain. In light of these concerns and in the interest of ensuring the continued protection of public health and safety and the environment, staff requested, by way of correspondence dated April 26, 2001, DWR to provide the following:

1. A copy of the purchase agreement between DWR and Bottle Rock Power Corporation,
2. A copy of any appraisals by or for DWR providing an estimate of costs for decommissioning activities,
3. A brief summary of the salient points of the purchase agreement addressing any financial security associated with the potential decommissioning of the facility and environmental mitigation, and
4. A description of any continued responsibilities or obligations that will be retained by DWR subsequent to the proposed transfer of ownership.

DWR responded to Commission Staff's request for further information by way of correspondence dated May 2, 2001, attached to which was, among other things, a copy of the "Purchase Agreement for the Bottle Rock Power Plant and Assignment of Geothermal Lease" (the Purchase Agreement).

Section 2.4 of the Purchase Agreement requires Bottle Rock Power Corporation to provide DWR with a five million dollar ($5,000,000) surety bond to be delivered to DWR at the closing of the transaction. Bottle Rock Power Corporation is further required to submit an independent engineering estimate of the cost to decommission the facility and for all site restoration and remediation obligations for DWR's approval every third year after closing. That section further requires that, if such engineering estimate

exceeds $5,000,000, Bottle Rock Power Corporation shall increase the security to cover the amount of the estimated cost plus twenty-five percent (25%). The amount of the security may also be reduced to the estimated cost to decommission the facility and for site restoration and remediation, plus 25%, in the event the estimated cost is less than the initial $5,000,000 security amount. The security is to remain in place until five (5) years after completion of all decommissioning.

Section 2.4 of the Purchase Agreement further authorizes DWR to inspect the premises to determine whether substantial hazardous substance contamination on the property exists on the property from the operation of the facility or any related facilities. In the event DWR finds any such contamination, DWR may require Bottle Rock Power Corporation to cease any operations causing such contamination and to clean-up and remedy all such contamination.

Section 2.4 of the Purchase Agreement authorizes Bottle Rock Power Corporation to elect to substitute a letter of credit as the security required under that section in the same amount and on the same terms and conditions as those specified relative to the surety bond.

Section 2.5 of the Purchase Agreement requires that, at or prior to closing of the transaction, Bottle Rock Power Corporation shall have purchased an Environmental Impairment Insurance policy, with limits of liability in an amount not less than ten million dollars ($10,000,000), designating DWR as co-named insureds. The insurance policy must remain in effect at all times during operation and the decommissioning of the power plant, and extends to the associated steam fields.

Finally, in its May 2, 2001 correspondence in response to Commission Staff's request for further information relative to the transaction, DWR indicated that "(t)he Department will not have any continued responsibilities or obligations subsequent to the proposed transfer unless they are imposed by law and the Buyer fails to meet its obligation to take care of them".

COMMISSION FINDINGS

The Commission hereby finds that DWR's Petition for transfer of ownership satisfies the requirements of Title 20, California Code of Regulations, Section 1769(b). Bottle Rock Power Corporation will be responsible for complying with the Commission's conditions of certification and all subsequent Energy Commission Orders. Adequate measures appear to have been taken to enable DWR to ensure the proper closure and decommissioning of the Bottle Rock Power Plant subsequent to the transfer of ownership in the event Bottle Rock Power Corporation is unable to do so. And, Ronald E. Suess, President of the Bottle Rock Power Corporation, has filed the requisite statements verifying that Bottle Rock Power Corporation understands and agrees to comply with the conditions of certification.

ORDER

Having considered staff's recommendation and comments from the parties and all submitted documents, the Commission hereby approves the transfer of ownership of the Bottle Rock Power Plant from the California Department of Water Resources to Bottle Rock Power Corporation subject to the following condition:

(a) The parties shall strictly adhere to the terms of the "Purchase Agreement for the Bottle Rock Power Plant and Assignment of Geothermal Lease".

Dated: 5/30/01

State of California
Energy Resources Conservation
And Development Commission

WILLIAM J. KEESE
Chairman

Exhibit 5

ATT. 4

Bob James

AUG 3 2012

Robert Weisenmiller, Chairman
California Energy Commission
1516 Ninth Street
Sacramento, California 95814

Amendment to Purchase Agreement for the Bottle Rock Power Plant and Geothermal Steam Lease

This memo is to advise your agency that the Department of Water Resources (DWR) is planning to amend the "Purchase Agreement for the Bottle Rock Power Plant and the assignment of Geothermal Steam Lease," dated April 5, 2001 by the deletion of Sections 2.4 and 2.5 in exchange for a release of any liability of DWR to Bottle Rock Power or the owners of the geothermal steam.

We have enclosed a copy of the contract so that you may evaluate any potential effects on your agency by this proposed amendment.

If you have any comments please e-mail me at ccrothers@water.ca.gov or contact me by phone.

Original Signed By

Cathy Crothers
Chief Counsel
(916) 653-5613

cc: Chris Marxen
California Energy Commission
Compliance Office
1516 Ninth Street
Sacramento, California 95814

County of Lake
Attention: Department of Public Works
255 N. Forbes Street
Lakeport, California 95453

Enclosure

BJames:LBoosalis
S:\JAMES, BOB\Correspondence\Bottle Rock\9045 memo R Weisenmiller CA Energy Commission Bottle Rock Am.doc

Exhibit 6

STATE OF CALIFORNIA – THE RESOURCES AGENCY

ARNOLD SCHWARZENEGGER, Governor

DEPARTMENT OF WATER RESOURCES
1416 NINTH STREET, P.O. BOX 942836
SACRAMENTO, CA 94236-0001
(916) 653-5791

SEP 24 2009

To: Brian Harms, General Manager
Bottle Rock Power, LLC
PO Box 326

Dear Brian:

Pursuant to Thomas King's request, contained in his letter to me dated July, 8, 2009, I am writing in regards to the security bond required under the Purchase Agreement for the Bottle Rock Facilities (BRF).

Mr. King's letter appears to indicate a desire to eliminate the need for the security bond under the Agreement by: (1) having the Coleman family release any liability of the State under the lease hold, and (2) by having the California Energy Commission revise conditions of BRPP certification to include the Commission's standard license closure conditions that would not rely on bonds to fund the costs of decommissioning. While this may be satisfactory to the Energy Commission, the Coleman's and you, it would not be satisfactory to this Department unless we also secure broad releases for any decommissioning costs from at least the Energy Commission and the County of Lake.

Our concern now, which has not changed since signing the Purchase Agreement, is that the owner of the plant and steam field at the time of decommissioning will not have sufficient assets to cover the costs required for decommissioning, which will be substantial. At that future time the Department could be seen as a deep pocket and the purpose of the bond required under the Purchase Agreement would preclude that outcome. DWR would be interested in hearing further about your discussion with the Coleman family and assurances of how future costs of decommissioning would be met given that the Energy Commission and Lake County would be involved in final closure of the plant.

If you or Mr. King can provide agreements to assure that DWR will not be required to pay any of the cost of decommissioning the plant we will be pleased to consider these in lieu of the bond requirement.

If you have any questions or comments on this matter please contact me at (916) 489-3048.

Sincerely,

Bob

Robert James
Staff Counsel

cc: Thomas King, Managing Director
U S Renewables Group
10 Bank Street, Suite 750
White Plains, New York 10606

John A McKinsey, Attorney
Stoel Rives, LLP
770 L Street, Suite 800
Sacramento, California 95814

Dale Rundquest, Compliance Manager
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

bcc:

Marie Buric

Exhibit 7

STATE OF CALIFORNIA – THE RESOURCES AGENCY

ARNOLD SCHWARZENEGGER, Governor

DEPARTMENT OF WATER RESOURCES
1416 NINTH STREET, P.O. BOX 942836
SACRAMENTO, CA 94236-0001
(916) 653-5791

SEP 24 2009

DOCKET	
79-AFC-4C	
DATE	9/24/2009
RECD.	9/25/2009

To: Brian Harms, General Manager
Bottle Rock Power, LLC
PO Box 326

Dear Brian:

Pursuant to Thomas King's request, contained in his letter to me dated July, 8, 2009, I am writing in regards to the security bond required under the Purchase Agreement for the Bottle Rock Facilities (BRF).

Mr. King's letter appears to indicate a desire to eliminate the need for the security bond under the Agreement by: (1) having the Coleman family release any liability of the State under the lease hold, and (2) by having the California Energy Commission revise conditions of BRPP certification to include the Commission's standard license closure conditions that would not rely on bonds to fund the costs of decommissioning. While this may be satisfactory to the Energy Commission, the Coleman's and you, it would not be satisfactory to this Department unless we also secure broad releases for any decommissioning costs from at least the Energy Commission and the County of Lake.

Our concern now, which has not changed since signing the Purchase Agreement, is that the owner of the plant and steam field at the time of decommissioning will not have sufficient assets to cover the costs required for decommissioning, which will be substantial. At that future time the Department could be seen as a deep pocket and the purpose of the bond required under the Purchase Agreement would preclude that outcome. DWR would be interested in hearing further about your discussion with the Coleman family and assurances of how future costs of decommissioning would be met given that the Energy Commission and Lake County would be involved in final closure of the plant.

If you or Mr. King can provide agreements to assure that DWR will not be required to pay any of the cost of decommissioning the plant we will be pleased to consider these in lieu of the bond requirement.

If you have any questions or comments on this matter please contact me at (916) 489-3048.

Sincerely,

Bob

Robert James
Staff Counsel

cc: Thomas King, Managing Director
U S Renewables Group
10 Bank Street, Suite 750
White Plains, New York 10606

John A McKinsey, Attorney
Stoel Rives, LLP
770 L Street, Suite 800
Sacramento, California 95814

Dale Rundquest, Compliance Manager
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

Exhibit 8

Bottle Rock Power, LLC

P.O. Box 326
Cobb, CA 95426

Phone: 707.541.0976
Fax: 707.546.9139

10 December 2007

Robert W. James
Attorney
Department of Water Resources
1416 Ninth Street
P.O. Box 942836
Sacramento, CA 94236-0001

RE: ***Bottle Rock Power Reclamation Bond Engineering Estimate - 2007***

Dear Mr. James:

Section 2.4 of the "Purchase Agreement for Bottle Rock Power Plant and Assignment of Geothermal Lease" requires that Bottle Rock Power, LLC (BRP) provide the Department of Water Resources (DWR) an independent engineering estimate of the cost to meet the obligations of Section 7.1(e) as stated in the Agreement.

In partial fulfillment of that requirement, BRP herein submits to DWR the engineering estimates for the plugging and abandonment of all steam and injection wells as well as the closure of the ponds sited at each of the three well pads. All of the wells and ponds are located on the Bottle Rock leasehold.

The remainder of the engineering estimate that addresses the dismantling, removal, and demolition of the power plant and equipment is anticipated to be forthcoming very soon so as to fulfill completely the requirement as defined in Section 2.4 of the Agreement. It will be submitted to DWR as soon as it is received from the dismantling company that is compiling the engineering estimate.

Please call me at any time if you have any comments and/or questions regarding these estimates at (707.541.0976).

Respectfully,

Ronald E. Suess

Ronald E. Suess, JD
President
Bottle Rock Power, LLC

Attachment

Cc: w/o Attachment
Donna Stone
Compliance Project Manager
California Energy Commission
1516 Ninth Street, MS-2000
Sacramento, CA 9581-5512

Marie I. Buric
Associate Land Agent
Department of Water Resources
1416 Ninth Street
P.O. Box 942836
Sacramento, CA 94236-0001

ThermaSource LLC

Total Cost to Abandon All Bottle Rock Wells		
Well Pad	*Well Number*	*Cost to Abandon*
Francisco	1-5	$274,150.00
Francisco	2-5	$249,400.00
Francisco	3-5	$274,150.00
Francisco	4-5	$274,150.00
Francisco	5-5	$274,150.00
Francisco	6-5	$274,150.00
Francisco	7-5	$274,150.00
Coleman	1A-5	$274,150.00
Coleman	3-5	$274,150.00
Coleman	5-5	$274,150.00
Coleman	6-5	$274,150.00
Coleman	7-5	$274,150.00
West Coleman	1-6	$274,150.00
West Coleman	2-6	$274,150.00
West Coleman	3-6	$274,150.00
West Coleman	4-6	$274,150.00
West Coleman	5-6	$274,150.00
West Coleman	7-6	$274,150.00
	Total Cost	$4,909,950.00

Bottle Rock Power LLC

Plug and Abandonment Program

Well: Francisco 1-5

By

ThermaSource, LLC

November 15, 2007

Pertinent Data:

1. Well located in Section 5, T11N, R8W, Lake County, California.
2. Well was spudded on 2/13/76.
3. Well was completed on 7/19/76.
4. 20" conductor set at 222' prior to rig moving on location.
5. Kelly bushing elevation was 23'. Well was drilled with MCR Geothermal Corp.
6. 13-3/8", K-55 casing was set in a 17-1/2" hole from surface to 1505'. The casing was cemented with 750 sacks of cement.
7. 9-5/8",K-55 & N-80 liner hung in 12-1/4" hole from 1293' in the 13-3/8" to a total depth of 4532'. The liner was cemented with 1608 sacks of cement.
8. 7", N-80 liner was hung in an 8-1/2" hole from 4237' in the 9-5/8" to a total depth of 6256'. The liner was cemented with 280 sacks of cement.
9. Total depth of well is 8970'.
10. There is a fish that consists of drill pipe from 7131.9' to 8969.8

Days	Sequence of Operations:	
	1.	Move in and rig up on well.
	2.	Nipple up required blow out preventer system.
.25	3.	Kill well and pick up drill pipe and run in the hole to total depth of 7" casing. Do not go outside of the casing into the open hole.
.4	4.	Trip out of the hole and pick up 7" bridge plug and run in hole with same. Set bridge plug in 7" casing approximately 140' above 7" casing shoe @ 6100' +/-.
.3	5.	Mix and pump the equivalent of 50 linear feet of cement through bridge plug and pull out of plug. Mix and pump the equivalent of 100 linear feet of cement on top of the bridge plug, up to 6000' minimum.
.5	6.	Pull out of hole and remove bridge plug setting tool while waiting on cement to set.

.25	7.	Run in hole and tag cement with DOGGR representative on location to witness tag.
.15	8.	Fill hole with gelled water.
.05	9.	Pull out to 4137', 100' below top of 7" liner.
.3	10.	Mix and pump the equivalent cement to fill 200 linear feet, with 100' inside top of liner and 100' in the 9-5/8" liner.
.05	11.	Pull out to 1193', 100' below the top of the 9-5/8" liner.
.3	12.	Mix and pump the equivalent cement to fill 200 linear feet, with 100' inside top of liner and 100' in the 13-3/8" casing.
.2	13.	Pull up and cement any holes or leaks in the casing.
.1	14.	Pull up and set 50 linear feet of cement from 50' deep to surface.
.2	15.	Remove blow out preventer system.
.35	16.	Cut off all casings 6' below ground level and weld plate on top with well name welded on same.
.5	17.	Rig down and clear location and release rig to move.
3.9	**Days to Abandon Well**	

ThermaSource LLC

Well: Francisco 1-5 **Field: Geysers** **Estimator:** Capuano III

#	Daily Cost Catagory	$/day	days/well	Sub total	T/I
46	Rig move day rate:	15,000	1	15,000	I
46	Trucks and cranes for rig move:	35,000	1	35,000	I
49	Rig operating day rate:	18,000	4	72,000	I
50	Air compressor equipment standby:	1,750	0	0	I
50	Air comp.essor service hands + equipment operating rate:	2,000	0	0	I
51	TS LLC supervision:	2,500	4	10,000	I
52	Stabilizers, Reamers and Hole Openers	0	2500	0	I
54	Casing crews and lay down machine	10,000	0	0	I
56	Downhole tools: jars, shock subs, etc.	800	0	0	I
57	Mud Logging/H_2S Services:	2,250	0	0	I
57	H_2S Chemicals			0	I
58	BOP Rental	900	4	3,600	I
58	Top Drive Rental			0	I
62	Welding	500	4	2,000	I
64	Fishing Tools and Service			0	I
66	Forklift and Backhoe Rental	150	0	0	I
66	DP, HWDP and DC's rental	6,000	0	0	I
67	Solids control equipment and mud cooler:	650	0	0	I
69	Transportation	2,000	1	2,000	I
72	Fuel, Water and Power	4,000	4	16,000	I
73	Communications + Rig Monitoring	300	4	1,200	I
73	Pason	400	4	1,600	I
77	Perforating			0	I
79	Camp Costs	750	4	3,000	I
91	District Expenses	500	1	500	I
92	Administrative Overhead	550	1	550	I
	Total Daily Costs:			162,450	

#	Materials and Equipment Costs	Size/Item	Units	Avg. $/unit	Sub total	T/I
52	Bits	17-1/2	0	25000	0	I
52		12.25	0	20000	0	I
52					0	I
52		8.5	1	5000	5,000	I
52		6.125	0	10000	0	I
21	Casing (units = feet)	13-3/8	0	92.4	0	T
21	Casing	9.625	0	47.52	0	T
21	Casing	9.625	0	47.52	0	T
21	Casing	7.000	0	0	0	T
21	Casing	7.000	0			T
22	Tubing	5.000	0		0	T
22	Drill Pipe purchases				0	T
23	Production Valves	12	0	12000	0	T
23	Wing Valves	3"	0	2000	0	T
23	Casing head(s)		0	5000	0	T
23	Spools, studs, nuts, misc well head				0	T
23	Production Hook Up				0	
66	Drilling Tools Rebuild/Repair	Hardbanding	0	100	0	I
66		DP repair	0	100	0	I
66		Subs repair	0	100	0	I
66		Inspection	0	100	0	I
58	Well Control Equipment	BOP Rubbers	1	2000	2,000	I
58		Rot. Head Rbrs	2	600	1,200	I
58		Floats:	3	500	1,500	I
25	Casing Accesories	Liner Hanger	0	15000	0	T
25		Liner adapters	0		0	T
25		Centrallizers	0	200	0	T
25		Bridge Plugs	1	10000	10,000	
25		Misc. Supplies	1	5000	5,000	T
45	Permits, Surveying, Conductor, Site Maintenance				0	I
53	Mud material costs (see mud estimation worksheet)				15,000	I
55	Cement material and job costs (see cement estimation worksheet)				70,000	I
59	Testing, Sampling and Coring				0	I
61	Wireline surveys/logs				0	I
63	Directional drilling equipment and operators charges (see directional worksheet)				0	I
68	Small Tools and Misc. Supplies				2,000	I
74	Well Insurance				0	I
78	Completion Costs				0	I
84	Miscellaneous Expenses				0	I
85	Abandonment Costs				0	I
	Total Materials and Equipment				111,700	

T = Tangible, I = Intangible

Tangible	0
Intangible	274,150
Grand Total	274,150

ThermaSource LLC

Well Cost Estimate					
Well No.	Francisco 1-5 Abandonment		Operator:	Bottle Rock Power	
Date:	11/15/2007	Days:	4	State:	California

SUMMARY OF ESTIMATED COSTS

Accounting Codes	Descriptions of Costs	
	Tangible Drilling Costs	
21	Casing	$0
22	Tubing and Drill Pipe	$0
23	Wellhead Assembly + Steam Line Hook-up	$0
25	Other Well Equipment, Liner hanger, etc.	$15,000
	Total of Tangible Drilling Costs	**$15,000**
	Intangible Drilling Costs	
45	Permits, Survery, Conductor & Site Maintenance	$0
46	Mobilization and Demobilization	$50,000
49	Contract Drilling Rig at $18000 per day	$72,000
50	Air Compressors and Services	$0
51	Direct Supervision	$10,000
52	Bits, Stabilizers, Reamers & Hole Openers	$5,000
53	Rotary Drilling Muds, Additives & Service	$15,000
54	Casing tools and Services	$0
55	Cement and Cementing Services	$70,000
56	Other Drilling Tools, Jars, Shock subs, etc	$0
57	MudLogging and H2S Monitoring & Equip.	$0
58	Blow out Preventer Rentals & Top Drive	$8,300
59	Testing, Sampling & Coring	$0
61	Electrical Logging	$0
62	Welding	$2,000
63	Directional Tools and Engineering	$0
64	Fishing Tools and Services	$0
66	Drilling Tools and Services + Drill Pipe	$0
67	Rental Mud treatment equipment	$0
68	Small Tools and Supplies	$2,000
69	Transportation	$2,000
72	Fuel, Water and Power	$16,000
73	Communications, Pason, Rig Monitoring	$2,800
74	Well Insurance	$0
77	Perforating	$0
78	Completion Costs	$0
79	Camp Costs and Living Expenses	$3,000
84	Miscellaneous Expenses	$0
85	Abandonment Costs	$0
91	District Expenses	$500
92	Administrative Overhead	$550
	Total Intangible Drilling Costs	**$259,150**
	Total Tangible & Intangible Costs	**$274,150**

Gifford's Backhoe Services, Inc.
P.O. Box 153
Cobb, CA 95426
(707) 928-5240
Lic.# 711540

Proposal & Contract

DATE	JOB PHONE NO.
11-09-2007	

JOB NAME / NO.
Coleman Sump

JOB LOCATION
Bottlerock Power Lease

To: Bottlerock Power

We hereby propose to furnish all materials and perform all labor necessary to complete the following:

Coleman Sump Closure

Project bid includes:
1) Fill material imported from off lease quarry
2) Labor and materials

Note: Sump to be clean of drill mud and water. All permits owner responsibility.

Place and compact fill material to dike level. Cut drainage to natural drainage. Place erosion control material as needed.

"Notice to Owner"
(Section 7019 – Contractors License Law)

Under the Mechanics' Lien Law, any contractor, subcontractor, laborer, materialman, or other person who helps to improve your property and is not paid for his labor, services or material, has a right to enforce his claim against your property.

Under the law, you may protect yourself against such claims by filing before commencing such work or improvement, an original contract for the work of improvement or modification thereof, in the office of the County Recorder of the County where the property is situated and requiring that a contractor's payment bond be recorded in such office. Said bond shall be in an amount not less than fifty percent (50%) of the contract price and shall in addition to any conditions for the performance of the contract be conditioned for the payment in full of the claims of all persons furnishing labor, services, equipment or materials for the work described in said contract.

Any alteration or deviation from the above specifications, including but not limited to any such alteration or deviation involving additional material and/or labor costs will be executed only upon a written order for same, signed by Owner and Contractor, and if there is any charge for such alteration or deviation, the additional charge will be added to the contract price of the contract. All work is subject to delays by acts of God, weather, uncontrollable labor strife, or unforeseen contingencies.

All of the above work is to be completed in a substantial and workmanlike manner according to standard practices for the sum of:

one hundred fifty thousand dollars and 00/100 dollars ($ 150,000.00)

Payment to be made as follows:

Payment due upon completion of described work.

Ken Gifford, President
Gifford's Backhoe Services, Inc.

NOTE: This proposal may be withdrawn by us if not accepted within 60 days.

Acceptance of Proposal: The prices, specifications and conditions are satisfactory and are hereby accepted. You are hereby authorized to furnish all materials and labor required to complete the work as specified. Payment will be made as outlined above.

Signature _____ Date _____ Signature _____ Date _____

Gifford's Backhoe Services, Inc.
P.O. Box 153
Cobb, CA 95426
(707) 928-5240
Lic.# 711540

Proposal & Contract

DATE	JOB PHONE NO.
11-09-2007	

JOB NAME / NO.
Francisco Sump

JOB LOCATION
Bottlerock Power Lease

To: Bottlerock Power

We hereby propose to furnish all materials and perform all labor necessary to complete the following:

Francisco Sump Closure

Project bid includes:
1) Fill material imported from off lease quarry
2) Labor and materials

Note: Sump to be clean of drill mud and water. All permits owner responsibility.

Place and compact fill material to dike level. Cut drainage to natural drainage. Place erosion control material as needed.

"Notice to Owner"
(Section 7019 – Contractors License Law)

Under the Mechanics' Lien Law, any contractor, subcontractor, laborer, materialman, or other person who helps to improve your property and is not paid for his labor, services or material, has a right to enforce his claim against your property.

Under the law, you may protect yourself against such claims by filing before commencing such work or improvement, an original contract for the work of improvement or modifications thereof, in the office of the County Recorder of the County where the property is situated and requiring that a contractor's payment bond be recorded in such office. Said bond shall be in an amount not less than fifty percent (50%) of the contract price and shall in addition to any conditions for the performance of the contract be conditioned for the payment in full of the claims of all persons furnishing labor, services, equipment or materials for the work described in said contract.

Any alteration or deviation from the above specifications, including but not limited to any such alteration or deviation involving additional material and/or labor costs will be executed only upon a written order for same, signed by Owner and Contractor, and if there is any charge for such alteration or deviation, the additional charge will be added to the contract price of the contract. All work is subject to delays by acts of God, weather, unavoidable labor trouble, or foreseen contingencies.

All of the above work is to be completed in a substantial and workmanlike manner according to standard practices for the sum of: $94,500.00

ninety four thousand five hundred dollars and 00/100 dollars ($ 94,500.00).

Payment to be made as follows:

Payment due upon completion of described work.

Ken Gifford, President
Gifford's Backhoe Services, Inc.

NOTE: This proposal may be withdrawn by us if not accepted within 60 days

Acceptance of Proposal: The prices, specifications and conditions are satisfactory and are hereby accepted. You are hereby authorized to furnish all materials and labor required to complete the work as specified. Payment will be made as outlined above.

Signature _____ Date _____ Signature _____ Date _____

Exhibit 9

Bottle Rock Power, LLC

P.O. Box 326
Cobb, CA 95426

Phone: 707.541.0976
Fax: 707.546.9139

05 February 2008

Robert W. James
Attorney
Department of Water Resources
1416 Ninth Street, Room 1118
Sacramento, CA 94236-0001

RE: ***Copy of Engineering Estimate Update for Bottle Rock Project***

Dear Mr. James:

This letter accompanies the submittal to the Department of Water Resources (DWR) of the requisite Engineering Estimate that has been prepared by the North America Demolition Corporation at the request of Bottle Rock Power, LLC (BRP). Submittal of this Estimate update fulfills the terms of the Purchase Agreement signed by BRP and DWR on 23 August 2001.

This phase of the Engineering Estimate specifically addresses the updated costs for dismantling of the Power Plant and the steam transmission line.

Those phases of the Estimate that address the plugging and abandonment of the steam wells and closure of the well pad sumps have already been submitted to you.

Please call me if you have any comments and/or questions concerning the entire Engineering Estimate update at 707.541.0976.

Respectfully,

Ronald E. Suess

Ronald E. Suess, JD
President
Bottle Rock Power, LLC

Attachment

Cc w/o Attachment:

Donna Stone
Compliance Project Manager
California Energy Commission
1516 Ninth Street, MS-2000
Sacramento, CA 95814-5512

Marie I. Buric
Associate Land Agent
Department of Water Resources
1416 Ninth Street
P.O. Box 942836
Sacramento, CA 94236-0001

NORTH AMERICAN DISMANTLING CORP.

P.O. Box 307 • Lapeer, Michigan 48446-0307
(810) 664-2888 Fax (810) 664-6053

January 11, 2008

Bottle Rock Power Corp.
Attention: Ronald E. Suess
1275 4th Street, No. 105
Santa Rosa, CA 95404

Dear Mr. Suess:

North American Dismantling Corp. (NADC) is pleased to submit the following budget estimate for removal of the Bottle Rock Power Plant facilities. Listed below are budget estimates. The following budget estimates are subject to a variance higher or lower based on final project scope and specifications.

Turbine Building (above grade demolition)	$2,950,000.00
Cooling Tower & Equipment (above grade demolition)	$349,250.00
Remove Stredford & Tank Field	$547,750.00
Removal of smaller concrete building (on site)	$280,000.00
Plant site road removal	$199,050.00
Removal of plot pipe way	$338,850.00
Plant site rough grade	$225,500.00
Total Budget Estimate	**$4,890,400.00**

(Four Million, Eight Hundred and Ninety Thousand, Four Hundred Dollars)

The conditions of this budget estimate are as follows:

1. Owner to supply water for fire safety and dust control.
2. Owner to supply power to operate overhead crane in generator building. Once equipment is removed all utilities will be isolated.
3. All structures onsite to be removed to top of slab or pad level.
4. All concrete, rubble and/or non-hazardous debris generated during dismantling can be placed in pits, voids and basements located onsite.
5. No engineering, compaction or import of backfill included in the budget estimate.
6. Contractor to obtain Air Quality and Cal/OSHA demolition permit. All other permits, reports, surveys, plans, sampling, agency negotiations or any other necessary or required authorization from any agency or party necessary to perform the dismantling activity, not included in the budget estimate.

7. Use of explosives will be allowed with proper authorization. Budget estimate has been based on this assumption being implemented.
8. Removal, transportation, disposal or handling of hazardous wastes not included in this budget estimate. Demolition of cooling tower is included in the budget estimate.
9. Budget estimate does not include closure of wells.
10. All salvage material to become property of contractor.
11. Budget estimate does not include any planting, reseeding or engineering for rainwater control or runoff or associated construction.
12. All debris to be considered Class III non-hazardous demolition debris and will be disposed of as non-hazardous C & D debris.
13. Budget estimate assumes contractor has unimpeded access to site to perform demolition activities.
14. All cleaning and decontamination work will be performed on a time and material reimbursable basis.
15. Any required off site disposal will be performed on a time and material reimbursable basis.
16. Any below grade work requested by owner will be performed on a time and material reimbursable basis.
17. Estimated time frame to perform work would be from twelve (12) months to twenty-four (24) months.

These estimates are based on past experience and work performance at East Kentucky Power, Maysville, Kentucky and Detroit Edison Power Plant, Monroe, Michigan.

NADC is a nationwide Demolition Contractor and conform to all rules and regulations for both federal and state. We are bondable and have available ten million dollars ($10,000,000) in liability insurance and workers compensation insurance as required by law.

NADC hopes this meets your approval and we thank you for the opportunity to submit our budget estimate.

Sincerely,

Timothy J. Seagraves
Sales/Marketing Director

TJS:pmo

April 18, 2008

Ronald E. Suess, President
Bottle Rock Power, LLC
Post Office Box 326
Cobb, California 95426

Re: Estimate

Dear Ron:

The Department of Water Resources (DWR) has now completed its review of North American Dismantling Corp.'s estimate of the cost to remove the Bottle Rock Power Plant Facilities and the engineering estimates submitted with your letter of December 10, 2007 for plugging and abandonment of all steam and injection wells as well as closure of the ponds sited at each of the three well pads.

Our review indicates that North American Dismantling Corp. is qualified to make the estimate of the cost to remove the plant and that ThermoSource LLC is qualified to make the estimate for the cost to close the steam and injection wells. We also believe that the cost estimates they have made are reasonable. However, the estimates do not meet the requirements of Section 2.4 of the Purchase Agreement for Bottle Rock Power Plant and assignment of Geothermal Steam Lease, dated April 5, 2001.

Section 2.4 provides in pertinent part as follows:

> "Every third year after closing, or more often at the option of Seller or Buyer, Buyer shall submit to Seller for Seller's approval an independent engineering estimate of the cost to meet the obligations of Sections 7.1 (e) of this agreement.

If such estimate (as approved by Seller) exceeds Five Million dollars $5,000,000 U.S.), the Buyer shall promptly increase the estimated cost plus twenty-five percent (25%)."

Section 7.1(e) provides as follows:

"7.1 From and after closing date, Buyer shall be solely responsible and liable for the following:

...(e) Full responsibility and sole obligation for the Bottle Rock Power Plant, Francisco Steam Field and for all site restoration, including any restoration and remediation obligations associated with any land rights comprising the purchased assets;"

The Francisco Geothermal Steam Field Lease, dated February 25, 1975, provides in pertinent part as follows:

"(b) Following termination of this Lease or any part thereof for any cause, and following abandonment of any well drilled pursuant to the provisions hereof, Lessee shall within six (6) months thereafter, remove all personal property which fill all sumps, remove all foundations and so nearly as practicable restore the areas affected by such termination or abandonment to the condition in which they were prior to the commencement of its operations hereunder; and, in the case of termination, shall deliver to the Lessor a quitclaim deed, in recordable form, surrendering to the Lessor all right, title and interest of the Lessee in that part of the said lands as to which this Lease shall have been so terminated, saving and excepting necessary easements and right of way on the Lands for Lessee's further operations on any part of the said Lands as to which this Lease shall not have been terminated, The ownership of any

of Lessee's property not removed by it during the period herein provided shall, in the absence of force majeure as defined in Section 13, be deemed abandoned by Lessee and shall pass to Lessor without further act of the parties or either of them effective upon expiration of such period."

Clearly the conditions set forth in the North American Dismantling Corp. estimate do not meet the requirement of the Francisco Lease and the Purchase Agreement. We are particularly concerned with conditions 3, 4, 5, 6, 8, 11, 12, 14, 15, 16 and 17 although there may be other problems. Also the estimate does not seem to cover the cost of removal and disposal of the pipeline from the steam field to the plant or the steam field control and maintenance facilities. The cost of taking care of these omitted items is very large and has to be covered in some way by the estimate.

It appears to me this leaves us with a couple of alternatives:

(1) DWR send the estimate back to you and request that you revise the estimate to cover all of the costs and return it to us by July 1, 2008.

(2) I am willing to recommend to DWR management that we agree to a $15 million estimate which would mean that the bond would have to be increased from $5 million to $18,750,000.

Exhibit 10

STATE OF CALIFORNIA – THE RESOURCES AGENCY

ARNOLD SCHWARZENEGGER, Governor

DEPARTMENT OF WATER RESOURCES
1416 NINTH STREET, P.O. BOX 942836
SACRAMENTO CA 94236-0001
(916) 653-5791

October 9, 2008

DOCKET
79AFC-4C
DATE OCT 0 8 2008
RECD. OCT 2 2 2008

Mr. Ronald E. Suess, President
Bottle Rock Power, LLC
Post Office Box 326
Cobb, California 95426

Re: Estimate

Dear Mr. Suess:

The Department of Water Resources (DWR) has now completed its review of North American Dismantling Corp.'s estimate of the cost to remove the Bottle Rock Power Plant Facilities and the engineering estimates submitted with your letter of December 10, 2007 for plugging and abandonment of all steam and injection wells as well as closure of the ponds sited at each of the three well pads.

Our review indicates that North American Dismantling Corp. is qualified to make the estimate of the cost to remove the plant and that ThermoSource LLC is qualified to make the estimate for the cost to close the steam and injection wells. We also believe that the estimates of cost which they have made are reasonable. However, the estimates do not meet the requirements of Section 2.4 of the Purchase Agreement for Bottle Rock Power Plant and assignment of Geothermal Steam Lease, dated
April 5, 2001.

Section 2.4 of that agreement provides in pertinent part as follows:

> "Every third year after closing, or more often at the option of Seller or Buyer, Buyer shall submit to Seller for Seller's approval an independent engineering estimate of the cost to meet the obligations of Sections 7.1 (e) of this agreement. If such estimate (as approved by Seller) exceeds Five Million dollars $5,000,000 U.S.), the Buyer shall promptly increase the security to cover the amount of the estimated cost plus twenty-five percent (25%)."

Section 7.1(e) of that agreement provides as follows:

> "7.1 From and after closing date, Buyer shall be solely responsible and liable for the following:
>
> ...(e) Full responsibility and sole obligation for decommissioning the Bottle Rock Power Plant, Francisco Steam Field and for all site restoration, including any restoration and remediation obligations associated with any land rights comprising the purchased assets;"

The Francisco Geothermal Steam Field Lease, dated February 25, 1975, provides in pertinent part as follows:

> "(b) Following termination of this Lease or any part thereof for any cause, and following abandonment of any well drilled pursuant to the provisions hereof, Lessee shall within six (6) months thereafter, remove all personal property which fill all sumps, remove all foundations and so nearly as practicable restore the areas affected by such termination or abandonment to the condition in which they were prior to the commencement of its operations hereunder; and, in the case of termination, shall deliver to the Lessor a quitclaim deed, in recordable form, surrendering to the Lessor all right, title and Interest of the Lessee in that part of the said lands as to which this Lease shall have been so terminated, saving and excepting necessary easements and right of way on the Lands for Lessee's further operations on any part of the said Lands as to which this Lease shall not have been terminated, The ownership of any of Lessee's property not removed by it during the period herein provided shall, in the absence of force majeure as defined in Section 13, be deemed abandoned by Lessee and shall pass to Lessor without further act of the parties or either of them effective upon expiration of such period."

Clearly the conditions set forth in the North American Dismantling Corp. estimate do not meet the requirement of the Francisco Lease and the Purchase Agreement. We are particularly concerned with conditions 3, 4, 5, 6, 8, 11, 12, 14, 15, 16 and 17 although there may be other problems. Also the estimate does not seem to cover the cost of removal and disposal of the pipeline from the steam field to the plant or the steam field control and maintenance facilities, and there is no contingency factor for closure of the steam wells and sumps The cost of taking care of these omitted items is very large and has to be covered in some way by the estimate.

It appears to me this leaves us with a couple of alternatives:

(1) DWR send the estimate back to you and request that you revise the estimate to cover all of the costs and return it to us by January 1, 2009.

(2) In leiu of that I am willing to recommend to DWR management that we agree to a $16,500,000 estimate which would mean that the bond would have to be increased from $5 million to $20,625,000.

Please advise me by December 1, 2008 as to which of these alternatives you wish to pursue. If you have any questions please call me at (916) 653-3949.

Sincerely,

Robert James
Staff Counsel

cc: Mr. Dale Rundquest
Compliance Manager
California Energy Commission
1516 Ninth Street
Sacramento, California 95814-5512

Exhibit 11

NATURAL RESOURCES AGENCY EDMUND G. BROWN JR., GOVERNOR

DEPARTMENT OF CONSERVATION

Managing California's Working Lands

Division of Oil, Gas, & Geothermal Resources

801 K STREET • MS 20-20 • SACRAMENTO, CALIFORNIA 95814

PHONE 916 / 445-9686 • FAX 916 / 323-0424 • TDD 916 / 324-2555 • WEB SITE conservation.ca.gov

November 27, 2012

California Energy Commission
Dockets Unit, MS-4
Docket No. 12-CAI-04
1516 Ninth Street
Sacramento, CA 95814-5512

California Energy Commission
DOCKETED
12-CAI-04
TN #68695
NOV 28 2012

Dear Sir/Madame:

The Department of Conservation, Division of Oil, Gas, and Geothermal Resources (Division) regulates the drilling, operation, and plugging and abandonment of geothermal wells in California. The Division currently regulates the twenty-one geothermal wells operated by Bottle Rock Power LLC in The Geysers Geothermal field.

The Division currently holds a $100,000 blanket bond to indemnify the state in the case that Bottle Rock Power LLC could not properly plug and abandon their wells at such time that this action became necessary or when the power plant ceased operations. Although this is a security for the state, this amount is not adequate to plug and abandon the twenty-one wells and accompanying pipelines. We estimate that this work may cost over $2,000,000.

When the Commission is evaluating the deletion of sections 2.4 and 2.5 from the existing purchase agreement for the transfer of ownership of the Bottle Rock geothermal plant and wells from Department of Water Resources to Bottle Rock Power LLC this fact should be noted and taken into consideration.

If you have any questions, please contact Elizabeth Johnson, Geothermal Officer, at 916-323-1786.

Sincerely,

Robert S. Habel
Chief Deputy