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From: Kramer, Paul@Energy
Sent: Tuesday, July 24, 2012 5:00 PM
To: Korosec, Suzanne@Energy
Subject: Referral for IEPR consideration

California Energy Commission
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Ms. Korosec:

In the recently adopted Carlsbad Energy Center Project Commission Decision the Commission, in response to a comment on the proposed decision, referred a policy question (setting aside funds to provide for the future removal of power plants) for possible consideration in a future IPER. The Decision says:

> "Intervener Rob Simpson asks, in an RPMPD comment, that funding be set aside for the retirement of the CECP facility, specifically a condition that the "Developer is to deposit $10,000,000 per year with the Commission until it can demonstrate adequate funds to dismantle the facility upon retirement." The Commission has not previously imposed such a requirement. No evidence suggests that failing to remove this facility after it ceases generating electricity will have any unmitigable signific[ant] environmental impacts. The policy question raised by Mr. Simpson's request is worthy of further study, however, and we refer it to the Commission's Integrated Energy Policy Report Committee for future consideration." Compliance/Closure section, p. 4-2.

The complete decision is available on the Carlsbad web page.

Mr. Simpson's comment, contained in a document filed on April 27, 2012, was:

> "The PMPD does not appear to require funding to be set aside for retirement of the facility. It does contain ample evidence of why funding should be set aside for retirement. California is littered with retired fossil fuel generated energy projects that have not been dismantled. Indeed the city of Carlsbad is proposed to be straddled with a new facility for even a chance of removal of the old facility. An economist could enlighten the Commission that; without requiring funding for the eventual demolition of a facility, a corporation would simply let the facility sit idle, spin it off to a dummy corporation and let it bankrupt itself to transfer responsibility to the public, or even better for the corporation, as in this case, leverage just the possibility of old facility removal to extort community acceptance of a new facility.
> ' A further assumption of suspect value is that EPS' owner will, once the generating equipment is retired, quickly move to remove it. It could just as easily sit in place for many years while the owner decides what to do next.' 8.1-23
> The Commission should require a provision that demands that funds to be set aside for decommissioning. The decision should include a condition;
> Developer is to deposit $10,000,000 per year with the Commission until it can demonstrate adequate funds to dismantle the facility upon retirement."

Thank you for considering this referral.

Paul Kramer
Hearing Officer
Carlsbad AFC Committee