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STATE OF CALIFORNIA

**Energy Resources Conservation
and Development Commission**

In the Matter of:

BOTTLE ROCK POWER, LLC

**BOTTLE ROCK GEOTHERMAL
POWER PLANT**

Docket No. 79-AFC-4C

Docket No. 12-CAI-04

**BOTTLE ROCK POWER, LLC'S
COMMENTS ON STAFF ASSESSMENT**

October 11, 2013

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BOTTLE ROCK POWER, LLC'S COMMENTS ON STAFF ASSESSMENT

Bottle Rock Power, LLC ("BRP") hereby submits these additional comments on the 2013 Staff Assessment for the Bottle Rock Geothermal Power Plant Petition to Amend ("Staff Assessment"), filed on September 6, 2013. (California Energy Commission Docket Transaction Number ("TN #") 200419.) On October 2, 2013, BRP submitted Initial Comments on the Staff Assessment, preliminarily identifying certain issues and concerns, and reserving the right to file more detailed comments after the October 4, 2013 Staff Workshop. BRP hereby submits these more detailed comments based on the discussion at the Staff Workshop.

At the Staff Workshop, the parties engaged in a productive dialogue about BRP's Petition to Amend, the Staff Assessment, and the parties' outstanding issues and questions. At the close of the workshop, Staff indicated their intent to further evaluate the cost analysis in the Staff Assessment, to revisit the proposed compliance conditions, and indicated Staff may issue a supplemental or revised Staff Assessment. Notwithstanding the anticipated potential revisions to

the Staff Assessment, BRP hereby reiterates and further documents the comments presented at the October 4, 2013 Staff Workshop.

Decommissioning Cost Estimate

As detailed in the discussion at the Staff Workshop, BRP questions the cost analysis set forth in the Staff Assessment. BRP submits that the July 29, 2013 Bottle Rock Power Plant Decommissioning Estimate prepared by Plant Reclamation (“July 29, 2013 Estimate”) (TN #20053) fully and accurately estimates the decommissioning costs for the agreed upon scope of decommissioning. The July 29, 2013 Estimate was prepared at the direction of the CEC and updated in response to Staff’s Data Request Set 1 (Nos. 1-5). (TN #71454.) In particular, Staff’s Data Requests Nos. 2-4 requested that BRP “update the decommissioning estimate to include” several specific items. BRP responded and provided an updated decommissioning estimate (the July 29, 2013 Estimate), fully addressing each of the items that Staff requested. Following BRP’s submittal of the July 29, 2013 Estimate, Staff stated they did not intend to issue any additional data requests. (Staff’s Status Report No. 1, p.1 (TN #200146).) There is no evidence to suggest the July 29, 2013 Estimate is inadequate. Indeed, the July 29, 2013 Estimate is the only complete cost estimate that evaluates the agreed upon scope of decommissioning.

The Closure Cost Estimate Analysis in the Staff Assessment states “Staff did not include the credits for potentially salvageable equipment and materials because the plant location is relatively remote. Staff made the assumption that the cost of handling, removal and disposal of salvage is equal to its usable value.” (Staff Assessment, p. 42.) As noted in the July 29, 2013 Estimate, however, with respect to salvage values, “[t]he cost of removal, handling and transportation is included in the net value.” (July 29, 2013 Estimate, p. 5.) Thus, the facility location was accounted for when determining the salvage value and there is no basis to ignore

this aspect of the July 29, 2013 Estimate. Moreover, Staff's decision to include a 25 percent contingency is arbitrary and unsupported.

The July 29, 2013 Estimate concludes that the total decommissioning cost for the agreed upon decommissioning scope is \$709,000. As stated at the Staff Workshop, BRP submits that \$709,000 is the only appropriate and accurate cost estimate for decommissioning of the facility.

Funding Mechanism

The Staff Assessment proposes that BRP immediately obtain a bond to cover the full cost of decommissioning. The Staff Assessment acknowledges that the prior bond requirement arose because "Commission staff [was] 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." (Staff Assessment, p. 8, quoting 2001 Decision.) As documented in these proceedings, the Bottle Rock Power Plant is no longer a "highly speculative business transaction." There is no basis, therefore, to conclude that immediate funding of the full cost of decommissioning is necessary or appropriate, and no reason to assume that decommissioning is reasonably likely to occur in the short term. Accordingly, as proposed in BRP's Petition to Amend, it is appropriate to fund the decommissioning costs over time.

Despite the lack of support for requiring the full decommissioning amount to be bonded immediately, in the interest of addressing the parties' concerns and achieving mutually agreeable resolution of this matter, and as presented by BRP at the October 4, 2013 Staff Workshop, BRP proposes to obtain a bond to cover the actual costs of decommissioning, as accurately estimated in the July 29, 2013 Estimate, in the amount of \$709,000.

BRP looks forward to reviewing Staff's revised or supplemental Staff Assessment and to expeditious resolution of this matter.

Dated: October 11, 2013

By: 

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Attorneys for Bottle Rock Power, LLC