

## DOCKETED

<b>Docket Number:</b>	79-AFC-04C
<b>Project Title:</b>	Compliance - Application for Certification of DWR Bottlerock Geothermal Project
<b>TN #:</b>	201214
<b>Document Title:</b>	BRP's Proposed Exhibit 21
<b>Description:</b>	Transcript Excerpts of Sutter Power Plant Evidentiary Hearing (97-AFC-2)
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<b>Submitter Role:</b>	Applicant Representative
<b>Submission Date:</b>	11/15/2013 9:04:40 AM
<b>Docketed Date:</b>	11/15/2013

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STATE OF CALIFORNIA  
ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION

In The Matter of:                    )  
  ) Docket No. 97 AFC-2  
Application for Certification    )  
For The Calpine Power Project   )

Veterans Memorial Community Building  
1425 Circle Drive  
Yuba City, California

Tuesday, December 1, 1998  
9:00 a.m. to 5:35 p.m.

Reporter by: GAIL BLANKENSHIP, C.S.R.

1 requires all power plant project owners to submit  
2 proposed closure plans about 12 months prior to closure  
3 of the facility. We do not require such a closure plan  
4 initially for a couple of reasons.

5 One of the principal reasons is the difficulties  
6 and uncertainties in trying to predict what the closure  
7 factors are going to be in the 30 years or so expected  
8 life of a facility once it's normally expected to  
9 close.

10 So what we do is we require the closure plan 12  
11 months before the period of closure, which is very  
12 close to the period of closure when we can have a  
13 definitive idea of what's going on. When the closure  
14 plan is submitted, there is a public review process  
15 very similar to this AFC process, where the whole  
16 proposed closure plan is examined, the public and  
17 interested parties are given an opportunity to comment  
18 on it.

19 Now, historically, closure funds have been  
20 included as a condition of certification, only when  
21 there is a compelling reason to do so. Some examples  
22 of this would be a known history of financial  
23 irresponsibility of the project applicant's previous  
24 project or dealings. Another example would be  
25 quantities of -- or types of hazardous materials stored

1 on site, which the securing or removal would require an  
2 unusual cost. Those are the kinds of situations that  
3 we would look at as possibly requiring a closure fund.

4 Now, we had a closure fund required for only one  
5 previously Commissioned certified power plant. That  
6 was the Section Eight solar electric generation  
7 station. And the reason for that was because of an  
8 unusually large volume of a petrochemical heat transfer  
9 fluid that is used to convert the solar energy to  
10 electricity. It was determined that there would be an  
11 unusual cost to removing and securing that material.  
12 So we required a relatively small closure fund, in the  
13 neighborhood of about fifty thousand dollars.

14 Now, we do require in our citing regulations  
15 that the applicant describe the plans regarding  
16 permanent or temporary plant closure. And in Section 4  
17 of the AFC -- Section 4 of the AFCs, Calpine has in  
18 fact demonstrated a clear understanding of the issues,  
19 contingencies, and steps necessary to remedy and  
20 prevent environmental hazards and protect workers and  
21 public safety in the event of a planned or unexpected  
22 closure and the clear commitment to carry them out.

23 Another issue is what if the plant is sold at  
24 some period after it was certified? In that case,  
25 there would have to be an amendment request, a request

1 in place. LORS, meaning laws, ordinances, regulations  
2 and standards would be in place at the time of  
3 closure. They may be possibly more strict than what  
4 they are now. In that case, the closure plan that  
5 would be submitted at the time would have to conform to  
6 those LORS that we don't know right now.

7 And finally, we don't know what the conversion,  
8 asset and salvage value of the plant equipment would be  
9 in 30 years. And, however, there is reason to believe  
10 that there is a probability they would have significant  
11 value. And that would be offset against any closure  
12 costs.

13 Now, the assumption that the project might  
14 contain significant value at the time of closure is  
15 supported by recent experience at the Commission and  
16 elsewhere. We recently went through the entire closure  
17 process with a facility which is called the Cool Water  
18 gasification facility. And that the actual closure and  
19 removal of equipment is in process now and nearly  
20 complete. The experience there has been that the  
21 closure costs pretty much have been offset by the value  
22 of the equipment and the land of the project, so that  
23 there has been no net closure costs.

24 For example, Southern California Edison, who is  
25 the project owner, made a deal with Texaco for the

1 gasification equipment where they basically gave them  
2 the gasification equipment in return for their removing  
3 all of the equipment. There was also a gas turbin on  
4 the facility, and that was sold for a substantial  
5 amount of money, and that amount included removing  
6 equipment.

7 In addition, recent divestiture by utility  
8 companies in California show that they can retain  
9 significant value 30 or 40 years out in the future. So  
10 there is a reasonable expectation that there will be  
11 value of the equipment and the facilities.

12 So getting back to our closure, so 12 months  
13 prior to the planned closure, we would basically  
14 reconvene, consider a proposed closure plan, including  
15 the proposed costs, and would again have a process very  
16 similar to the AFC process where we would be able to --  
17 we would have a compliance mailing list on which we  
18 keep the names of everyone interested in the project  
19 and we keep it as an amount of when the closure plan is  
20 so we would notify everybody there is a planned  
21 closure. We would provide a copy of the closure plan,  
22 and if anyone indicated that they had any questions on  
23 it, we would proceed with workshops and possibly  
24 hearings, and essentially complete a process very  
25 similar to the AFC process to determine the final

1 from members of the public? Okay.

2 COMMISSIONER KEESE: I notice that Staff  
3 has a recommendation that the Commission itself is  
4 considering a blanket policy in this area.

5 MR. NAJARIAN: That's correct.

6 COMMISSIONER KEESE: Have you submitted  
7 that to the committee yet, or is this meant to be the  
8 submission?

9 MR. NAJARIAN: We're working through the  
10 Commission, citing committee in this regard. We  
11 propose, just to get the ball rolling in this area,  
12 propose specific regulation changes which would address  
13 this on a broader basis.

14 COMMISSIONER KEESE: I guess my comment  
15 would be that while this is not restricted to this  
16 hearing, I think the discussion we've had to do on  
17 these issues have been enlightening, and I think that  
18 we have the -- I see the possibility that we have some  
19 kind of a blanket discussion of this at the Commission  
20 level and come up with something that will remove it  
21 from future site cases. And it's particularly  
22 important, as we now recognize that we may have 15 of  
23 these exciting hearings going at the same time, that we  
24 attempt on some of these issues to have a uniform  
25 applicable standard that we can apply as a template.

1 And I would urge you to get it up to the Commission as  
2 fast as possible.

3 MR. NAJARIAN: We're going to do that.

4 COMMISSIONER KEESE: We're not doing it  
5 here through this project. Thank you.

6 MR. FAY: All right. Thank you. There  
7 was no indication of comment on facility closure.

8 We've taken the supplementary evidence. The  
9 next topic is socioeconomic, and that's likely to be a  
10 long one, longer, because both Staff and Calpine have  
11 witnesses on top of testimony. And it's a matter of  
12 great interest to the public I know. So we want to  
13 take our lunch break now, and we will return at 1:15.

14 (Lunch recess taken at this time.)

15 MR. FAY: We'd like to go back on the  
16 record now. Mr. Ellison, you submitted some  
17 supplemental testimony on behalf of Calpine. Did you  
18 want to offer that in conjunction with the  
19 socioeconomic testimony? If so, now is the time for  
20 that.

21 MR. ELLISON: Yes, Mr. Fay, we do. In  
22 fact, we have two witnesses on these issues. The first  
23 is James Saare. James Saare is the crop duster for  
24 whom we submitted an affidavit as part of our original  
25 testimony. And that affidavit has been identified in