

DOCKETED

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Project Title:	Compliance - Application for Certification of DWR Bottlerock Geothermal Project
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Direct Testimony of Bottle Rock Power, LLC
in the Petition to Amend Proceeding (79-AFC-4C)
(and relating to Complaint Proceeding 12-CAI-04)

Project Owner's Witness: Brian Harms

Date: November 12, 2013

I. STATUS OF PLANT AND PROJECT OWNER

A. Plant Condition and Operating History

The Bottle Rock Power Plant (“BRPP” or the “Project”) has been successfully restarted as a reliable base load renewable geothermal power generation facility. The Project has been operating for over six years with an availability of approximately 96 percent. The California Public Utilities Commission recently approved a new Power Purchase Agreement (“PPA”), with Pacific Gas & Electric as the off-taker, for 20 years (until 2032) and the Project is fully permitted for expanding its electrical generation output. The Project must expand its output to satisfy the long-term obligations of the PPA.

B. Project Owner Characterization

Bottle Rock Power, LLC is a limited liability company organized under the laws of the State of Delaware and authorized to conduct business in the State of California (identified as an active LLC by the California Secretary of State under Entity No. 200608810241).

Bottle Rock Power, LLC is owned by affiliates of U.S. Renewables Group and Riverstone Holdings, LLC, two private equity firms with extensive portfolios of energy businesses. The Project Owner has no debt at this time. The Project Owner requires additional capital for the purposes of funding the steam field expansion. The bond obligation is an obstacle to raising expansion capital for BRPP.

C. The History of the DWR-Required Decommissioning Bond

The Purchase and Sale Agreement (“Purchase Agreement”), originally executed in 2001, was executed with the full intention of the signing parties that the Purchase Agreement could and likely would be amended should the land owner, now VV&J Coleman LLC, provide a full release of liability to the California Department of Water Resources. Such release was obtained as part of a three-way transaction in 2012 that included an amendment to the Purchase Agreement, which deleted sections 2.4 and 2.5, among other changes.

II. EXISTING NON-CEC DECOMMISSIONING OBLIGATIONS

A. County of Lake

The Lake County use permit obligations are set forth in Lake County Use Permit 85-27 (MMU 10-01) and Use Permit 09-01. The Lake County Use Permit 85-27(MMU 10-01) has bonds

required under section M 16. Those bonds are in place and have been escalated in an amount in accordance with the requirements of the section and the bonding is in place.

Section J of the Use Permit provides for well pad and well abandonment. The subsurface requirements under J.1. defer to the jurisdiction of the California Division of Oil, Gas & Geothermal Resources (CDOGGR). The remaining sections J.2. through J.5 provide for the establishment of the reclamation plan at the time of abandonment and also provides for property owner consultation at that time.

B. California Division of Oil, Gas & Geothermal Resources

The well abandonments subsurface are under the jurisdiction of California Division of Oil, Gas & Geothermal Resources. Bonds are required by each operator pursuant to California Public Resources Code section 3726. Those bonds are and have been in place.

III. CURRENT DECOMMISSIONING INTENT AND OBLIGATIONS

A. Obligations under Amended Lease

The Amended Lease includes general provisions for a scope of decommissioning that is acceptable to the land owner and Bottle Rock Power, LLC. The landowner and Project Owner have a confidentiality agreement that prevents full release of the Amended Lease. The redacted version of the Amended Lease provided to the Committee has been approved for release by the landowner, and provides for “decommissioning of the Project generally in accordance with the scope attached hereto as Exhibit B.” (Amended and Restated Geothermal Lease and Agreement, ¶ 16(b).) The scope of decommissioning contemplated in Exhibit B provides that the turbine building and standby generator building will remain in place and be conveyed to the lessor.

B. Current intentions regarding decommissioning

Bottle Rock Power, LLC’s intent for decommissioning the Project is to follow the requirements of the California Energy Commission’s Conditions of Certification, and the County of Lake’s Use Permit conditions and ordinances at the time of decommissioning. In addition, the Project linear facilities (steam wells) are subject to the CDOGGR’s regulations for well abandonment at the time of any such abandonment.