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COMMISSION DECISION
Application For Certification For

LUZ ENGINEERING CORPORATION
LUZ SEGS IX & X PROJECTS
(HARPER LAKE)

Docket No. 89-AFC-1

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George Deukmejian, Governor

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FACILITY SECURITY/DECOMMISSIONING

INTRODUCTION

The purpose of this analysis is to identify and discuss the requirement for a project Decommissioning Plan, the establishment of funds to provide for decommissioning, and to provide Conditions of Certification for the Luz Development and Finance Corporation's Solar Electric Generating Station (SEGS Units IX & X) project facilities. Decommissioning is defined as physical changes resulting from removing the facility from service. Decommissioning should be completed in a manner which protects public health and safety, is environmentally acceptable, and is consistent with local and/or regional plans in effect at that time. A decommissioning fund must be established within the life expectancy of the project to assure that sufficient funds will be available to pay for decommissioning.

APPLICABLE LAWS, ORDINANCES, REGULATIONS, and STANDARDS

Public Resource Code sections 25003 and 25532 require that the California Energy Commission (CEC) consider environmental protection in planning for future electrical generating facilities, and that the Commission shall establish a monitoring system to ensure that any facility it certifies is constructed and operated in compliance with applicable laws, regulations, guidelines, and conditions.

In the future, Luz will be required to decommission the Harper Lake facilities, SEGS Units IX & X. Decommissioning is defined as changes to the project following removal from service. Requirements for decommissioning could range from temporary deactivation and mothballing, to removal of all equipment and appurtenant facilities and restoring the site to its natural state. As a result of the Luz SEGS Units IX & X projects, the existing environment of Harper Lake will be changed significantly, including land disturbance and visual character.

Staff has two major concerns regarding a decommissioning process that involves both site abandonment and ceasing of commercial operations. First, Luz must have contingency plans that will be implemented should they experience a bankruptcy or other unforeseen interruption of business. These contingencies must account for interim measures required to assure site security, environmental protection, and public health and safety issues. Second, Luz must establish a decommissioning fund during the 30-year life of the project and within the period of the 30-year SO-2 contract.

Through Luz's preparation of and adherence to a site security and facility maintenance plan and a decommissioning plan, the

environmental impacts, local agency concerns, and public health and safety concerns should be minimized.

Intervenor James LaMont raised a concern about Luz's ability to perform the decommissioning of the facility after its operational lifetime. Specifically, LaMont is concerned the project financing, while sufficient to construct and operate the project, will not finance the dismantling of the plant and restoration of the site if the project becomes uneconomic during its projected 30 year lifetime or at the end of its anticipated lifetime when electricity sale would presumably end.

The Commission notes that this issue was raised by LaMont late in the Luz SEGS VIII proceeding when it could not be satisfactorily addressed. This issue is particularly appropriate for projects sponsored by private Qualifying Facilities (QFs) as differentiated from the regulated utilities which can ratebase the cost of decommissioning obsolete facilities.

The Commission believes that the establishment of a fund early in the project life is appropriate to provide some level of "insurance" that monies will be available secure and/or dismantle a facility. Determining the appropriate amount for such a fund is difficult. One the one hand, financing the total cost of decommissioning by the initial fund, even if invested for 30 years, would require a very substantial initial investment and not take into account that income earned over the life of the project could be added to an initial fund to reach a final reserve capable of covering the costs of decommissioning. Similarly, too small an initial fund may be inadequate to cover such costs even when invested over time, particularly if the project income does not supplement it periodically.

In response to a data request from LaMont, Luz presented its calculation of the cost of decommissioning less the estimated salvage value for a net cost of approximately \$51,000 in present-day dollars. In reviewing Luz's documentation, and not wanting to substantially overestimate nor underestimate the amount for an initial decommissioning fund, the Commission believes that \$100,000.00 is an appropriate amount for an initial fund to be established for each unit within the first year of commercial operation and held by Luz in a invested account dedicated solely to the costs of decommissioning, which fund will be supplemented annually as provided herein.

CONDITIONS OF CERTIFICATION

REQUIREMENTS

1. In its first Annual Report after commencement of commercial operations, Luz shall submit a security and facility

maintenance plan to the CEC CPM that establishes contingency procedures in the event of bankruptcy or other unforeseen interruption of business and shall establish a dedicated facility security/decommissioning fund in the amount of \$100,000 for each unit. This plan shall include all activities required to dispose of or store all hazardous and toxic materials and chemicals associated with Luz SEGS Units IX and X. This plan shall discuss all currently applicable Laws, Ordinances, Regulations and Standards (LORS) associated with the safe storage or disposal of these materials. The plan shall also include a description of procedures for notification of regulatory agencies. The Commission must review and approve both the plan and the means for establishing the facility security/decommissioning fund. In each subsequent Annual Report, Luz shall submit an update of this plan which addresses the current situation, including the adequacy of the fund.

2. In its twenty-fifth year of commercial operations, Luz shall file a decommissioning plan with the CEC CPM that addresses all activities necessary to accomplish reclamation, restoration and remediation at the project site, and a discussion of currently applicable laws, ordinances, regulations, and standards (LORS). Specifically, the plan shall include the following:
 - identify and discuss the proposed decommissioning activities for the power plant site, and all appurtenant facilities constructed as a part of/or because of the project;
 - identify all applicable laws, ordinances, regulations, standards (LORS), and local/regional plans applicable at that time;
 - discuss how the specific proposed decommissioning activities will comply with those identified LORS and plans;
 - contain an analysis of all activities necessary to restore the site to its preconstruction state, which includes an analysis of recycling options;
 - if an alternative other than complete restoration is preferred, provide a complete analysis of the alternative that demonstrates how it will provide equal protection of the environment, public health and safety;
 - cost estimates for complete decommissioning; and
 - establishment of a fund for full decommissioning.

Full Commission approval of Luz's decommissioning plan and the cost estimates for full decommissioning is required. Within 30 days of receiving Commission approval, the owners of both of the Luz SEGS Units IX and X projects each shall provide evidence to the Commission CPM showing that the decommissioning funds have been fully established.

3. At least 12 months prior to decommissioning of either SEGS Units IX or X, Luz shall file a Final Decommissioning Plan with the Commission CPM. This plan shall address all activities necessary to accomplish reclamation, restoration and remediation at the project site, and a discussion of the laws, ordinances, regulations, and standards (LORS) applicable at that time.

At least six (6) months prior to filing the Final Decommissioning Plan with the CEC CPM, Luz shall request, in writing, that the CPM schedule a prefiling workshop to determine specific contents and scope of the decommissioning plan. The prefiling workshop shall be held with Luz, Commission staff, and other interested parties.

In the event that significant issues are associated with the plan's approval, or the desires of local officials or interested parties are inconsistent with the plan, the Commission may hold workshops and/or public hearings to resolve these issues as part of its approval procedure.

Luz shall not commence decommissioning activities of the Luz SEGS Units IX & X until the Final Decommissioning Plan has been approved by the Commission. Luz shall comply with any requirements incorporated by the Commission as a condition of the decommissioning plan.