



MEMORANDUM

24 MAY 2001
24 MAY 2001

Date: May 7, 2001

Appraisal Review: 2000-168

To: Joyce Perkins
Department of Water Resources
1416 Ninth Street, Room 425
Sacramento, CA 95814

From: Department of General Services
Real Estate Services Division
1102 Q Street, Suite 6000, Sacramento, CA 95814-6511

Subject: APPRAISAL REVIEW

20470

DOCKET
79-AFC-4C
DATE MAY 07 2001
RECD. MAY 25 2001

Department of Water Resources
Bottle Rock Power Plant
Lake County

Value Under Review - <\$6,600,000> (Leasehold Interest) and
\$1,000,000 (Equipment, Tools, and Personal Property)
Effective Date of Appraisal Under Review - January 9, 2001
Billing No. R0104027

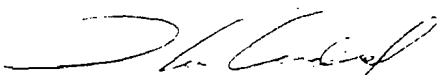
I have performed a technical appraisal review of the above-referenced property. This review was conducted within the context of market conditions expressed in the report and does not rely on the introduction of new information.

In performing this review, I have formed an opinion as to:

- the completeness of the report,
- the adequacy and relevance of comparable data
- the propriety of adjustments to the comparable data,
- the appropriateness of the appraisal methods and techniques, and
- the appropriateness and reasonableness of the analyses, opinions, and conclusions.

Property identification, significant characteristics and other pertinent information are detailed on the attached pages.

The content, analysis, and conclusions stated in the report under review are in compliance with applicable standards and requirements. The value opinions of <\$6,600,000> (Leasehold Interest) and \$1,000,000 (Equipment, Tools, and Personal Property) stated in the appraisal report are adequately supported.



 THOMAS CRANDALL
 Real Estate Officer
 State Certification No. AG001726

TMC:sjl:M:2000-168 Bottle Rock Power Plant

Attachment

SUMMARY OF SIGNIFICANT CHARACTERISTICS AND CONCLUSIONS**VALUE**

Estimated Value	<\$6,600,000> (Leasehold Interest) and \$1,000,000 (Equipment, Tools, and Personal Property)
Interest Appraised	Leasehold Interest
Effective Date of Appraisal	January 9, 2001
Appraisal Prepared by	R. Dean Stahr P.O. Box 6664 Napa, CA 94559-0412 (707) 255-8121
Date of Review	May 7, 2001

PURPOSE AND USE OF REVIEW

Client	Department of Water Resources
Intended Users	State of California
Purpose of Review	The purpose of the review is to determine the acceptability of the final opinion of value for use in a potential real estate transaction by the State of California.

PROPERTY DESCRIPTION

Property Owner	V.V. & J. Coleman Partnership 1544 Puerto Vallarta Drive San Jose, CA 95120
Location	Approximately 2½ miles northwest of Cobb Mountain in the Lake County portion of The Geysers Known Geothermal Resources Area.
Assessor's Parcels	013-002-003, 004 and 005
County	Lake
Site Area/Shape	350.01 acres/Irregular
Access	High Valley Road
Topography	Flat and gently rolling to moderate and steep hill
Utilities	Electrical and telephone

Improvements

A 55-megawatt capacity geothermal energy power plant, associated noise and chemical abatement systems, a hydrogen sulfide abatement system, a water treatment facility, cooling towers, a yard office and lab building, a backup electrical generator building, and extensive blacktop paving and concrete walls and flatwork. There is also a steam field control center building, a metal shop building, and a storage yard for equipment, pipes, valves and miscellaneous items located in the meadow area north of the power plant facility.

Zoning

RL-BF (Rural Lands – No Further Subdivision)

VALUATION

Highest and Best Use

Large acreage homesites in conjunction with limited agricultural uses and recreation/watershed.

Approaches

The Sales Comparison Approach was utilized

COMMENTS

The appraisal under review is an update appraisal of the leasehold interest, with the original appraisal having been completed on August 4, 1997. The subject property consists of a 55-megawatt capacity geothermal energy power plant facility along with ancillary buildings, steam gathering system, and steam fields. The total acreage of the property is 350.01, divided into three separate parcels containing 40.00, 150.01 and 160.00 acres. Zoning is RL-BF, rural lands with a B-combining district of Frozen. The "BF" designation stands for Unsplittable Combining District and restricts the subject parcels from being further subdivided into smaller parcels. The power plant has been shut down to a standby mode since 1991 and much of the equipment is obsolete or physically deteriorated. The steam field is uneconomic and most of the wells are no longer considered to be productive, and the cost to reactivate the steam field and plant is considered economically unfeasible. The Department of Water Resources has considered decommissioning the facility, creating a negative value for the property due to the high removal cost. According to the appraiser, Phase I and II Environmental Investigations indicate that no significant hazards exist. In the original appraisal, the appraiser utilized six large acreage land sales in the subject market area. These sales range from 882.26 to 2,715.75 acres, and from \$313 to \$736 per acre. The sales are adjusted for date of sale, conditions of sale, size, location, access, terrain, soils and water. The appraiser adjusted the comparable sales, correlating to an estimate of \$500 per acre for the subject property, within the following ranking.

COMPARABLE DATA CONTINUUM		
Sale No.	Price/Acre	Overall Rating
6	\$684	Superior
5	\$633	Superior
Subject	\$500 ¹	N/A
3	\$485	Inferior
1	\$390	Inferior
2	\$325	Inferior
4	\$313	Inferior

¹ Appraised value \$500/acre.

All of the comparable sales are larger acreage. However, the appraiser utilizes an appropriate size adjustment and the per acre conclusion of value appears supported. In valuing the leasehold interest, the appraiser indicated the land must be returned to its natural state at the termination of the lease. An estimate was obtained from *Plant Reclamation*, a Richmond California company for \$2,095,839 for the basic reclamation work. The cost of removal of the steamfield operator's headquarters was estimated at \$16,980 and the cost of abandoning the 16 wells was estimated at \$1,600,000. A 15 percent contingency fee was added to derive a total estimate of \$4,270,000. Therefore the appraiser estimated the subject property had a negative value of \$4,270,000. Finally, the salvage value of the equipment, tools, and personal property on the site was estimated at \$1,000,000, which would partially offset the removal and restoration cost.

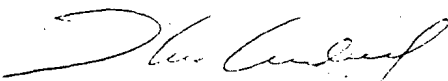
This update appraisal considers any possible changes in the site, improvements, Highest and Best Use, or market conditions. The appraiser concluded that no significant changes had occurred. However, the cost of removal and reclamation has increased, according to a more recent estimate by *Plant Reclamation*. The basic work bid has increased to \$4,146,283. The cost of abandonment of the 16 wells remained at \$1,600,000. A contingency of 15 percent was added to derive a final estimate of \$6,600,000. Finally, the salvage value of the equipment, tools, and personal property on the site was estimated at \$1,000,000, which would partially offset the removal and restoration cost.

The appraiser considered a proposed sale of the leasehold interest to a third party at \$1,800,000. The buyers intend to retool the power plant with modern equipment and reactivate the steam field. The appraiser considered the proposed sale to be highly speculative and not representative of fair market value. In conclusion, the content, analysis, and conclusions stated in the report under review are in compliance with applicable standards and requirements. The value opinions of <\$6,600,000> (Leasehold Interest) and \$1,000,000 (Equipment, Tools, and Personal Property) stated in the appraisal report are adequately supported.

CERTIFICATION

I certify that, to the best of my knowledge and belief:

1. The facts and data reported by the review appraiser and used in the review process are true and correct.
2. The analyses, opinions and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment is not contingent upon developing or reporting predetermined results.
6. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this review.
7. My analysis, opinions, and conclusions were developed, and this review was prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. I did not make a personal inspection of the property that is the subject of this report.
9. No one provided significant professional assistance to the person signing this report.



THOMAS CRANDALL
Real Estate Officer
State Certification No. AG001726

5/7/01

DATE