

**DEPARTMENT OF WATER RESOURCES**

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(916) 653-5791



SEP 24 2009

To: Brian Harms, General Manager  
Bottle Rock Power, LLC  
PO Box 326

Dear Brian:

Pursuant to Thomas King's request, contained in his letter to me dated July, 8, 2009, I am writing in regards to the security bond required under the Purchase Agreement for the Bottle Rock Facilities (BRF).


Mr. King's letter appears to indicate a desire to eliminate the need for the security bond under the Agreement by: (1) having the Coleman family release any liability of the State under the lease hold, and (2) by having the California Energy Commission revise conditions of BRPP certification to include the Commission's standard license closure conditions that would not rely on bonds to fund the costs of decommissioning. While this may be satisfactory to the Energy Commission, the Coleman's and you, it would not be satisfactory to this Department unless we also secure broad releases for any decommissioning costs from at least the Energy Commission and the County of Lake.

Our concern now, which has not changed since signing the Purchase Agreement, is that the owner of the plant and steam field at the time of decommissioning will not have sufficient assets to cover the costs required for decommissioning, which will be substantial. At that future time the Department could be seen as a deep pocket and the purpose of the bond required under the Purchase Agreement would preclude that outcome. DWR would be interested in hearing further about your discussion with the Coleman family and assurances of how future costs of decommissioning would be met given that the Energy Commission and Lake County would be involved in final closure of the plant.

If you or Mr. King can provide agreements to assure that DWR will not be required to pay any of the cost of decommissioning the plant we will be pleased to consider these in lieu of the bond requirement.

If you have any questions or comments on this matter please contact me at (916) 489-3048.

Sincerely,

  
Robert James  
Staff Counsel

**DOCKET****79-AFC-4C**DATE 9/24/2009RECD. 9/25/2009

cc: Thomas King, Managing Director  
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