

September 21, 1998

Mr. Bruce Kaneshiro
CPUC EIR Project Manager
C/O Environmental Science Associates
225 Bush Street, Suite 1700
San Francisco, CA 94104-4207

Re: Draft Environmental Impact Report comments, CPUC Application #98-01-008
Geysers Geothermal Power Plant & Other Divestitures

Dear Mr. Kaneshiro:

[Begin I1]

I wish to thank CPUS/ESA staff for past presentations before this Board and attempts to fully address issues in the above referenced matter. Nevertheless, it was disappointing that a separate EIR could not be written as requested by the Board of the Geysers sale nor an official public hearing held in our area to allow formal verbal comment on the draft EIR. It would have made participation by the public much easier.

[End I1]

[Begin I2]

I ask that the final EIR seriously consider the many and interrelated issues which were brought forward during our discussion, comments at the recently held public participation meeting of September 15, 1998, and the comments both written and verbal forwarded to you by Board of Supervisor members, the public and agency staff.

[End I2]

[Begin I3]

The Geysers play an important role in the continued prosperity of Lake County, and your conclusion that effects of 1-2% are not a significant cause of concern is not acceptable. It is the Board's feeling that if the sale of Geysers facilities results in a selling price lower than the tax base now established, Lake County and special districts will be adversely impacted. Mitigation of these impacts is quite essential. We realize that much of the DEIR scenarios are based on assumptions and forecasting, and ask that you take a more detailed and wider spectrum of scenarios and suggest specific mitigation steps should the less likely and desirable occur.

[End I3]

[Begin I4]

For the record and to ensure that the statement is included in the EIR record, I want to repeat the statement included in May 13, 1998 letter, *"It is vital to the well being of our county to preserve our air quality (the only air district in the state to meet all the ambient air quality standards), preserve our chosen waste treatment option of injecting waste water into the Geysers and recognize that the Geysers represent a significant direct and indirect component to our local economy. **The Geysers is a world class environmental show piece for renewable green energy***

which needs to be preserved and promoted. It is of paramount importance that the long standing and mutual cooperative basis that has largely contributed to the success of the Geysers, as an environmental model project, be continued and viable under CPUC decisions as a result of deregulation and divestiture.”

[End I4]

[Begin I5]

We continue to request the opportunity to review, prior to the CPUC consideration of approval, the proposal and qualifications of the potential owner to assure that our needs will be protected.

[End I5]

[Begin I6]

The Board is continuing to request that any new owners continue to honor existing written agreements and that unwritten operating protocols be incorporated as a precondition of a change of ownership. Other members of our community and staff have further enlarged upon these issues as part of the EIR process. We would especially like to see recommendations on those activities that have been identified.

[End I6]

[Begin I7]

The EIR needs to examine in more detail green power policy to ensure a viable continuing industry in California and to tie that into this sale approval consideration. When appearing before the Board, ESA/CPUC staff stated federal law gave a 1.5 cent/KW subsidy to green power and the Geysers. Is this still a valid statement? AB 1890 funds apparently enabled operation during the current year's high availability to hydro-power by ensuring a temporary transition floor of 3 cents/KW. The CPUC/ESA staff and DEIR contend that it is not an issue because of desirable economics, yet during the current year PX price apparently fell to zero cents/KW (Appendix C). Will AB 1890 apply to the Geysers Plants once the plants are sold, or will they be treated as merchant plants? Will they still be able to be assisted during transition years by AB 1890? Please, identify any incentives given to green power by state policy and explain how these will be incorporated into the CPUC's consideration in utilizing the final EIR and decision on sale approval.

[End I7]

[Begin I8]

Hydro-curtailment's effect upon the steamfield management and the impact on industry's continuing ability to manage our air, water, land and economic resources continues to be of concern. We realize that the question is not fully resolved, and we further understand PG&E and steamfield operators may identify specific mutual steps to address this concern. Any such steps, such as assurances of minimum generation consistent with protection of the steamfield integrity during all time periods including high hydro availability periods of time, should be identified, and it must be made clear how they will continue with new owners that are without PG&E's resources and customers. This issue has been commented on extensively and we ask that the final EIR identify specific possible mitigation steps for all reasonable outcomes.

[End I8]

Thank you for your consideration and commitment to a fair and factual final EIR that identifies potential impacts this divestiture proposal may have on our county, state and country, and identifies mitigation that could be implemented to achieve policy goals and protect our environment.

Sincerely

/s/

Louise Talley, Chairman
Lake County Board of Supervisors

CC: CPUC Members

I. LAKE COUNTY BOARD OF SUPERVISORS (Louise Talley)

- I1 The proposed project is the divestiture by PG&E of its three fossil-fueled power plants and its Geysers geothermal plant. While it would have been possible to prepare two separate EIRs (one for the sale of the fossil-fueled plants and another for the sale of the Geysers units), CEQA does not require that PG&E's application be so divided for purposes of environmental review. The same analytical requirements would apply, and the same information would be presented, with respect to the Geysers units, whether one or two EIRs were prepared. Indeed, the preparation of a single EIR facilitated the analysis of the manner in which the sale of the fossil-fueled plants would affect the Geysers plant, and vice versa. In any event, separate discussions on the Geysers Power Plant were provided throughout the DEIR under headings identifying them as such. Any reader specifically interested in issues pertaining to the Geysers can readily locate such information in the appropriate topical sections.

Regarding a separate public hearing in or near Lakeport, CEQA does not require a lead agency to hold a public hearing on a DEIR or at any stage of the environmental review process (CEQA Guidelines, Section 15202), but as a courtesy and convenience to the public, the CPUC elected to conduct a public hearing in San Francisco during the public review period (August 5–September 21, 1998). In accordance with the requirements of CEQA, written comments on the DEIR were accepted during this review period. The CPUC did conduct a public information workshop in Lake County on September 2, 1998. Key findings of the DEIR were presented to the public at that workshop, and CPUC staff attempted to answer the public's questions as well. Moreover, the public was encouraged to submit written comments to the CPUC staff at the workshop, or to mail their comments before the comment period closed. All written comments received are reproduced in this FEIR, and responses to each comment have been provided. The written comments were accorded the same consideration and treatment given to the oral comments received during the public hearing.

- I2 All written comments submitted in response to the August 5, 1998 DEIR, as well as oral statements made at the September 15, 1998 public hearing, are addressed in the Final EIR. Earlier discussions with the commenter (and others) that occurred during EIR scoping meetings were taken into consideration during the preparation of the DEIR. Although not required by CEQA, to the extent possible, comments made by members of the public at the series of four public informational meetings held following publication of the DEIR (August 24 & 25, and September 1 & 2) were also considered in preparing the Final EIR.
- I3 How property tax revenues might change is largely a consequence of restructuring under AB 1890, not of divestiture. PG&E must market-value these assets before December 31, 2001, at which point the plants would in any event be reassessed by the Board of Equalization. The valuation and reassessment can be done at *any* time after January 1, 1998. Divestiture is simply one of several methods of establishing that market value, in this case by using an auction. The divestiture process *may* accelerate this market valuation

process by up to three years, but it also may not, since alternative valuation methods could be pursued by PG&E within the same time frame in which divestiture would occur.

The CPUC cannot accurately forecast the possible ranges of sale prices for the Geysers, and the resultant tax assessments. In general, the divested plants have sold for more than their book values, resulting in increased property tax revenues for the host counties. Whether the Geysers will sell for above or below book value is one of the unknowns in transforming to a market-based from an administered industrial structure. That said, it is worth noting that PG&E believes the current market to be favorable for achieving a good price, as noted in Chapter 2 (page 2-1). In any event, with the caveat that divestiture may cause reassessment to occur earlier than it would otherwise, any changes in property tax revenue from the Geysers would stem from restructuring and not from this project.

To clarify that the only impacts divestiture may have with respect to reassessment of the plants would be an acceleration of changes that will occur under restructuring, the following is added as the third paragraph on page 4.11-14:

In considering any changes affecting property tax revenues as a result of the reassessment of the plants, it is important to keep in mind that the effects of divestiture (if any) would be temporary. Restructuring mandated by AB 1890 requires that plants be market-valued by the end of 2001. Once the market value of a plant is established, it would be reassessed by the Board of Equalization. Divestiture is not the only means by which market valuation could be established. It is also noteworthy that PG&E has applied to sell the plants now because it believes current market conditions are favorable for the sale of generating assets, as noted in Chapter 2.

And the following sentence is added to the end of the third paragraph on page 4.11-16 of the DEIR:

...physical effects on government services. Because restructuring requires that the market value of the plant be established by the end of 2001, by means of the proposed auction or some other means, any impact divestiture would have on the reassessment of the plant as a result of its valuation would be temporary.

- I4 By submission of the comment, the request that the commenter's statement be included in the Final EIR is met, since the Final EIR will include both the comment itself and this response. In response to the statement itself, certainly much of the statement is accurate and was recognized by the preparers of the DEIR. However, the statement covers a very broad set of issues, many of which are beyond the scope of this EIR, (e.g., deregulation of the electric utility industry, injection of wastewater into the Geysers, and the recognition that the Geysers is a "world class" show piece which needs to be promoted). While the commenter's views on these broad issues may or may not be accurate, it is beyond the scope of this EIR to address these issues.

- I5 The comment does not pertain to the adequacy of the EIR. Although CEQA mandates the provision of several opportunities to review and comment on the potential environmental effects of a proposed action, which have been provided in the case of the currently proposed project, it does not require the type of project review requested by the commenter. However, the comment will be considered by the decision-makers prior to taking any action on the project.
- I6 The new owner would be subject to existing air and water regulations and associated permits required for operation of the plant. With respect to operating protocols, as stated on page 2-7 of the DEIR, PG&E will continue to operate the plants at the direction of the new owner pursuant to an Operation and Maintenance Agreement that would have a term of two years after the sale closes. This Response to Comments document does address (where specific issues are identified) comments related to unwritten operating protocols. See responses to Comments H9, H10, and H11.
- I7 For the reasons discussed in the response to Comments H14 and H15 above, it appears that generation from the Geysers units will remain viable for the reasonably foreseeable future. In fact, given the transmission constraints in the region, the financial incentives and benefits available to any new owner of the Geysers units that are not presently available to PG&E, and the ability of the new owner to immediately compete in the direct access market, generation from the Geysers is more likely to increase rather than decrease.

As to the commenter's other suggestions, the CPUC is unaware of any transition floor price made available to PG&E under AB 1890. It is also unaware of any assistance provided to PG&E with regards to the Geysers from AB 1890. Regardless of ownership, the owners of the Geysers are required to collect all of their future or "going forward" costs from power market revenues, i.e., from the Power Exchange, the Independent System Operator, or direct access sales. Although a private owner of the Geysers units would not be eligible for the 1.5 cent/kWh federal subsidy mentioned by the commenter, the new owners may be able to apply to the CEC or the federal government for assistance that was not available to PG&E because of its status as an investor-owned utility. (Please see the responses to H4 through H6 and H13 through H15 for a thorough discussion of incentives and subsidies available to the new owners of the Geysers units.) Whether the new owners apply for this assistance is at their discretion. However, the Geysers units are expected to be economically viable in the restructured market because of their low fuel price compared to fossil-fueled power plants.

- I8 Please see response to Comments H4, H5, and H7.