

September 18, 1998

Mr. Bruce Kaneshiro  
c/o Environmental Science Associates  
225 Bush Street, Suite 1700  
San Francisco, CA 94104

Re: Comments from Lake County Community Development Department on the Draft Environmental Impact Report for Pacific Gas and Electric Company's Application for Authorization to Sell Certain Generating Plants and Related Assets

Dear Mr. Kaneshiro,

The County of Lake recognizes and appreciates the extensive research and quality presentation that Environmental Science Associates has devoted to the DEIR. The individualized attention given to the Geysers power plants in Lake County was warranted. Also, the public hearing in the Cobb Mountain area was helpful to Lake County officials and residents.

The Community Development Department has the following comments on the DEIR:

[Begin K1]

- 1) During the 9/2/98 public meeting at the Cobb Community Center, Lake County Supervisors and residents discussed concerns over the possible abandonment of a power plant due to a new operator going bankrupt or "skipping town". Such a situation would be devastating to the County if the County were to be burdened with clean-up and restoration costs of an abandoned, defunct power plant. Can the Final EIR answer the following questions?
  - a) Is the County or is the CPUC the lead agency with regard to clean-up of an abandoned power plant?
  - b) Can the Final EIR discuss the feasibility of requiring a new operator to post to the lead agency a financial assurance mechanism such as a surety bond? This would insure that any restoration and environmental clean-up will be funded in case of operator bankruptcy.

[End K1]

[Begin K2]

- 2) On page 4.11-16 the DEIR discusses impacts on public services. The DEIR notes "The Geysers Power Plant generates an estimated \$920,000 per year in property taxes to Lake County, which is about 2.8% of the County's total property tax revenues. Proportionately, the Geysers generates more property tax revenues to Lake County than any of the other power plants being considered for divestiture." The DEIR goes on to conclude that "... it is unlikely that the decrease (property tax revenue) would lead to adverse physical effects on government services." A decrease in property tax revenue would be a significant impact to Lake County government services. The County is not a wealthy county and has a high percentage

of retirees and individuals on various social welfare programs. The current County budget already falls short of funding needs.

Can the FEIR recognize that a decrease in property tax revenue would be a significant impact to Lake County and evaluate the following proposed Mitigation Measure?

- a) Should property tax revenues to Lake County decrease, the CPUC shall fund the amount of the decrease to Lake County for three years to allow the county to maintain government services while seeking a long term solution to the decrease in property tax revenue.

[End K2]

[Begin K3]

- 3) Page 5-10 discusses the Basin 2000 Project. It is my understanding that this project has been subject to budgetary cuts when the last state budget was finalized. If so, can the FEIR discuss how these budgets cuts will impact the future operations and planning for the Lake County units?

[End K3]

Thank you for taking my comments under consideration. Please feel free to contact me at (707) 263-2221 if you have any questions.

Sincerely

/s/

Dave Wappler  
Environmental Officer

cc: Lake County Board of Supervisors  
Robert Cervantes, Community Development Director

## K. LAKE COUNTY COMMUNITY DEVELOPMENT DEPARTMENT (Planning Division)

- K1 Public Utilities Code Section 377 removes much of the CPUC's regulatory authority over utility generation plants after these plants are market valued—an event mandated by AB 1890 even if divestiture does not occur. Consequently, lead agency responsibility for clean-up of an abandoned power plant would fall to the County. However, if soil and/or groundwater contamination were present, lead agency responsibility could fall to the Department of Toxic Substances Control and/or the Regional Water Quality Control Board.

As noted in the DEIR, under terms of the Purchase and Sale Agreement, PG&E will identify and retain liabilities associated with soil and groundwater contamination existing prior to sale (unless caused by a purchaser, steam supplier or land owner, in addition to other limited exceptions) and off-site disposal prior to sale (with certain limited exceptions). PG&E will also retain any liabilities associated with ongoing operations of assets or interests that it does not sell. To control the potential costs associated with these liabilities, the proposed Purchase and Sale Agreement gives PG&E the right to conduct post-sale remediation. PG&E would be responsible for remediating the contamination for which it retains liability if and when such remediation is required by law. The buyer will be required to indemnify PG&E against liabilities arising from buyer and third-party post-sale activities. In addition, the buyer will agree not to develop the site for residential or certain other uses and will be responsible for returning the site to its natural condition upon any required decommissioning. Please see response to Comment B5 for additional information on decommissioning requirements.

Regarding posting a bond, as discussed below, such a requirement is now imposed on steam field operators at the time of transfer of ownership. However, these requirements pertain to the steam field operators, not the power plant owners. Consequently, divestiture will not affect or implicate these requirements in any way. No mechanisms currently exist by which to require the new power plant owners to post a bond to ensure proper environmental clean-up, though, as noted in response to Comment B5, a variety of legal obligations pertain to decommissioning. Also as noted in the response to Comment B5, there would be no reasonably foreseeable increase in the risk of environmental impacts occurring during decommissioning under a new owner. In addition, the CPUC will ensure that the new owners are financially responsible and viable entities to operate the plants. There would be no impact on environmental clean-up associated with the project, and therefore no such mitigation as required by the commenter would be required.

Section 3723.5 of the Public Resources Code requires any person who acquires ownership or operation of any geothermal well or wells to post with the State Oil and Gas Supervisor (California Department of Conservation, Division of Oil, Gas, and Geothermal Resources) an individual indemnity bond for \$25,000 for each well acquired, or a blanket indemnity bond for \$100,000 for any number of wells acquired. The bond is intended to secure the State against all losses, charges, and expenses incurred by it to obtain compliance by the

well owner with all of the provisions of Chapter 4 (commencing with Section 3700) of Division 3 of the Public Resources Code requirements pertaining to drilling, re-drilling, deepening, maintaining, or abandoning any geothermal well. The bond remains in effect until the well or wells covered by the bond have been properly abandoned or the bond has been substituted by another valid bond. Proper abandonment requires a demonstration to the satisfaction of the State Oil and Gas Supervisor that all necessary steps have been taken: 1) to protect underground or surface water suitable for irrigation or farm or domestic uses from the infiltration of any harmful substance, and 2) to prevent the escape of all fluids to the ground surface. Abandonment must be accomplished in accordance with requirements specified in Chapter 4 of Division 3 of the Public Resources Code, which include notification and reporting requirements and oversight by the Oil and Gas Supervisor. Failure to comply with Chapter 4 is punishable by a fine of up to \$1,000 and/or imprisonment for up to six months for each offense.

In 1997, a proposed bill to increase the existing bond requirement to \$1.5 million died in committee. The California Department of Conservation is hoping to find a sponsor to reintroduce the bill at the next legislative session.

- K2 Please see response to Comment I3. As it clarifies, changes in property tax revenues (if any) would ultimately be the consequence of restructuring, not divestiture. The only impact divestiture may have with respect to the reassessment of the power plants would be an acceleration of changes that will occur under restructuring, because P&E must market-value its generation assets by the end of 2001. Whether the Geysers will sell for above or below book value is an unknown the CPUC cannot accurately forecast at this time. 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). This is especially true for the Lake County units because the steam from the Lake County (Calpine) steam field is considerably higher quality than the steam from fields in Sonoma County. However, even if the appraised value of the Lake County generating units were to fall to half their present value, the resultant 1.4 percent reduction in property tax revenues paid to the County would not meet the definition of a “significant impact” under the CEQA Guidelines. Section 15002(g) of the CEQA Guidelines defines a significant effect on the environment as “a substantial adverse change in the physical conditions which exist in the area affected by the proposed project.” While a loss of 1.4 percent in property taxes could affect the services provided by Lake County, this loss would not be likely to cause a substantial decrease in government services or adverse physical effects on government facilities. As for the commenter’s suggested mitigation measure, the CPUC has no authority to allocate funds to compensate Lake County in the unlikely event of a drop in property tax revenues resulting temporarily from divestiture or from restructuring the electric utility industry.
- K3 Budget changes for the Basin 2000 project would have no effect on the future operations and planning for the Lake County units because the Basin 2000 project would not increase or decrease the amount of water injected into the Lake County steam field. Rather, wastewater generated by the Basin 2000 project would merely displace raw lake water

currently diverted from Clear Lake into the Southeast Geysers effluent pipeline. The total volume of water sent up to the Lake County steam fields would not change whether or not the Basin 2000 project is funded and constructed.