



July 6, 2010

Sherri Kay Wahl
Acting Deputy Executive Director
California Alternative Energy and Advanced Transportation Financing Authority
915 Capitol Mall, Room 457
Sacramento, CA 95814

RE: Policy Clarification Regarding CE Obsidian Energy LLC ("CEOE") Original & Amended Application

Dear Ms. Wahl:

On May 28, 2010, CEOE amended its application originally submitted to CAEATFA on June 2, 2004 requesting financial assistance in the form of a sales and use tax exclusion under California Revenue and Taxation Code ("CRTC") Section 6010.8 for CEOE's proposed Black Rock 1, 2, and 3 Geothermal Power Project ("Black Rock 1-3").

We understand that current policies in place with the CAEATFA Board ("Board") may preclude CAEATFA Staff ("Staff") from performing a full and complete review and informed recommendation to the Board with respect to our pending application. We therefore request an extension of time with respect to Staff's recommendation so as to permit the Board to clarify and/or expand its present policies regarding pre-SB71 applications for projects described in Public Resources Code ("PRC") Section 26003(g)(1).

Although geothermal energy is specifically included as an "alternative source" in PRC Section 26003(c)(1), per the minutes of the CAEATFA Board meeting dated June 25, 2008, it has been suggested that the procedural policies by which the Board authorizes Staff to process and evaluate applications are limited to review of projects associated with benefits sought for zero emission vehicles ("ZEVs"). We note that the June 25, 2008 minutes, however, do not preclude evaluations of renewable energy projects described in PRC 26003(g)(1). Furthermore, SB71 did not place any limitation on projects described in PRC Section 26003(g)(1).

We therefore request that, in its meeting scheduled for July 28, 2010, the Board consider and take action regarding:

1. A statement of policy to clarify that Staff is authorized to review pre-SB71 applications for "Projects" that are defined under PRC Section 26003(g)(1) including geothermal energy projects.

2. We believe our Black Rock geothermal energy project qualifies on its face under PRC Section 26003(g)(1), which has existed in the law for more than twenty (20) years before SB71. However, should the Board so desire, it may consider additional qualifying policy criteria such as all or portions of the following standards for qualification:
 - a. The project qualifies as an "In-state renewable electricity generation facility," as defined in PRC Section 25741(b);
 - b. The project provides base load renewable energy using proven technology exhibiting a capacity factor of at least 85%;
 - c. The project has a nameplate electric generation capacity of at least 150 MW;
 - d. The project must be permitted by the California Energy Commission;
 - e. The project consumes water at an annual rate of less than ten acre feet per MW of capacity;
 - f. The project is not eligible for property tax exclusion under CRTC Section 73;
 - g. The project provides substantial economic benefits to the state and local community (with preference for projects in economically distressed areas); and/or
 - h. Any other criteria for eligibility as may be set forth by the Board.

3. Following adoption of the statement of policy described above, the Board shall act timely to direct Staff to accept CEOE's pending application for review, evaluation, and recommendation.

To facilitate preparation of a technology status report by your Staff, we have noted for your reference, below, several leading websites and resources describing geothermal energy technology.

Sincerely,

CE Obsidian Energy LLC

By: 
Steven R. Evans, MidAmerican Energy Holdings Company

Copies to:

Robert Hedrick, State Treasurer's Office
Stephen Larsen, CE Obsidian Energy LLC
Jonathan Weisgall, MEHC
Hal Kessler, Deloitte, San Francisco

Resources pertaining to geothermal energy:

<http://www.geo-energy.org/> - with further links to:

U.S. Geothermal Power Production and Development Update – April 2010

A Guide to Geothermal Energy and the Environment – April 2007

A Handbook on the Externalities, Employment, and Economics of Geothermal Energy –
October 2006