Date: April 11, 1989
To: Susumu Ono
From: Maurice H. Kay

Attached for your information is a copy of Gerald Lesperance's trip report to San Francisco on March 20-23, 1989. Mr. Lesperance's comments on outside perceptions of Hawaii project may be of interest to you.
April 3, 1989

MEMORANDUM

TO: Maurice H. Kaya

FROM: Gerald O. Lesperance


On March 20, 1989, I attended the seminar on "Successful Power Marketing for New Generation Projects." This was an excellent course on the factors an independent power developer should consider before and during negotiations with utility(s). Course outlines are attached.

The U.S. DOE Geothermal Review VII was conducted March 21-23, 1989, with the theme "DOE Research and Development for the Geothermal Marketplace." This was generally good but a bit dry. One excellent talk, "The Role of Geothermal Energy in Minimizing Global Environmental Problems," presented considerable data on the environmental advantages of geothermal compared to oil and gas.

I held a number of private discussions outlined in the following paragraphs:

RFP for a Geothermal/Cable Planning Consultant

1. I met with Dan Johnnie of Fluor Daniel. Their group will be responding to the RFP. They are probably going to join with Belt Collins and others in Hawaii.

2. I met with Jim Frolich of ERC (formerly WESTEC) who apparently will be joining with CH2M HILL and responding to the RFP.

3. Both Fluor and ERC were aware that Parsons Hawaii plans to be a respondent to the RFP.

4. I also met with Paul Blaydes, an independent geothermal environmental consultant.
State/HECO RFP for a Developer

1. I met with Hidehisa Saito, Manager of Power Project Department of Marubeni (a Japanese trading company) and Alex A. Sugaoka of (Japan) National Power Development with Mr. Saito. I had the impression that Marubeni was moderately interested in arranging an all-Japanese consortium. The two gentlemen were quite naive about the complexities of the project.

2. I met with Dominic Falcone (an independent power [especially geothermal] financing consultant who was the Vice President of Finance for Geothermal International, Inc.). He is working with some unidentified clients toward forming a consortium for the RFP. I convinced him that the submarine cable was technically feasible. His major concern was the lack of exploration to prove out the geothermal resource and minor concern about the lack of available mining leases.

3. In a meeting with three officers of California Energy Company (Robert D. Tibbs of Executive V-P Resource Group; David W. McClain Manager of Project Development; and Phillip Essner, Vice President, Land) they were extremely concerned about the lack of available mining leases. They, too, needed to be assured of the submarine cable technical feasibility.

4. Bernard C. Mayer, Vice President of Finance, Freeport - McMoran Resource Partners, (an innovative extractive, including geothermal, company with gross assets exceeding $2 billion) was concerned about the lack of exploration and the short time that his company would have to pull together a consortium and respond to the RFP. But he did indicate that the firm was interested in the project and might submit a proposal clearly indicating that they had the financial and technical capability to do the project but that they would need more time to talk to and select a cable partner.

5. In a discussion with Bechtel's Alastair Campbell, Leon Awerbuch and Jon Pietruszkiewicz, I learned that they are in a independent power producer venture with PGE Enterprises (a non-regulated component of the Bay Area utility). They are extremely interested in the geothermal/cable project, but expressed concern about the lack of resource verification and the availability of mineral leases. I met separately with PG&E's Operating General Foreman in the Geysers, Shelton C. Evans, who confirmed the Bechtel/PG&E Enterprises joint venture.

6. Thomas C. Hinricks, Vice President of Magma Power Company reported that Magma (the original Geysers geothermal developer) and Dow Chemical Company have formed a geothermal development venture. He was pessimistic about their venture responding to the RFP.
James Koenig, President of Geotherm Ex, Inc. (one the best in geothermal exploration) was extremely encouraging about the potential of the Kilauea East Rift Zone. He was the adviser to Barnwell during their drilling of three deep dry wells south and west of HGP-A. He said that if Barnwell had better drilling the ancillary equipment, and had heeded Geotherm Ex, that two of their three wells may have been producers. In other words, he feels the resource is there but they did not find it. He has also been a recent adviser to Ormat and is convinced, based on studying the loggings on PGV's three wells, there is a good resource in and around HGP-A. He will be advising Dr. Harry Olson during SOH and would be pleased (on a fee basis) to provide services to the State. He is a believer in the SOH approach (not all the people I talked to during my trip, were believers) but suggested after the initial six SOH, we should consider deep wells. I am convinced that we need to get a review committee of experts like Koenig to advise us on future exploration and assessment. We need opinions other than just Dr. Olson's.

In my discussions with a number of people, I determined that neither UNOCAL nor Chevron is interested in the new geothermal ventures.

In the afternoon of March 23, 1989, I attended a meeting of the planning committee for the 1990 International Geothermal Symposium in Kona.

STATE GEOTHERMAL PROJECT OFFICERS

Separately, I met with Washington's Gordon Bloomquist, Oregon's Alex Sifford and California's Mike Smith to compare notes. Our individual busy calendars did not allow us an opportunity to confer as a group. Unquestionably, the State of Hawaii has a more aggressive geothermal program than any of the other three state governments represented at the seminar.

GOL:hta