

**Oregon Water Resources Department**  
**Water Right Services Division**

**PROPOSED FINAL ORDER**

In the Matter of the Application for an Extension of Time for Permit G-17031, Water Right Application G-13710, in the name of Davenport Newberry Holdings, LLC.

---

**Permit Information**

Application:	G-13710
Permit:	G-17031
Basin:	5 – Deschutes / Watermaster District 11
Date of Priority:	June 10, 1994
Source of Water:	Two wells in Paulina Creek Basin
Purpose of Use:	Industrial use
Maximum Rate:	0.89 cubic foot per second (cfs)

---

***Please read this Proposed Final Order in its entirety***

*In Summary, the Department proposes to:*

- Grant an extension of time to complete construction of the water system from October 1, 2015 to October 1, 2030.
- Grant an extension of time to apply water to full beneficial use from October 1, 2015 to October 1, 2030<sup>1</sup>.
- Make the extension subject to certain conditions set forth below.

This Extension of Time request is being processed in accordance with Oregon Revised Statute 537.630 and 539.010(5), and Oregon Administrative Rule Chapter 690, Division 315.

---

<sup>1</sup>Pursuant to ORS 537.630(4), upon the completion of beneficial use of water allowed under the permit, the permittee shall hire a certified water rights examiner to survey the appropriation. Within one year after the complete application of water to a beneficial use (or by the date allowed for the complete application of water to a beneficial use), the permittee shall submit a map of the survey and a new or revised claim of beneficial use as deemed appropriate by the Department.

## **ACRONYM QUICK REFERENCE**

Department – Oregon Department of Water Resources  
PFO – Proposed Final Order  
cfs – cubic feet per second

## **AUTHORITY**

Generally, see ORS 537.630 and OAR Chapter 690 Division 315.

**ORS 537.630(1)** provides in pertinent part that the Oregon Water Resources Department may, for good cause shown, order an extension of time within which: irrigation or other works shall be completed; the well or other means of developing and securing ground water shall be completed; or the right perfected. In determining the extension, the Department shall give due weight to the considerations described under ORS 539.010(5) and to whether other governmental requirements relating to the project have significantly delayed completion of construction or perfection of the right.

**ORS 539.010(5)** provides in pertinent part that the Water Resources Director, for good cause shown, may extend the time within which the full amount of the water appropriated shall be applied to a beneficial use. This statute instructs the Director to consider: the cost of the appropriation and application of the water to a beneficial purpose; the good faith of the appropriator; the market for water or power to be supplied; the present demands therefore; and the income or use that may be required to provide fair and reasonable returns upon the investment.

**OAR 690-315-0040** provides in pertinent part that the Water Resources Department shall make findings to determine if an extension of time may be approved to complete construction and/or apply water to full beneficial use.

**OAR 690-315-0050(6)** requires the Department, for extensions exceeding five years, to establish checkpoints to determine if diligence is being exercised in the development and perfection of the water use permit. Intervals between checkpoints will not exceed five year periods.

## **FINDINGS OF FACT**

### *Background*

1. The original Permit G-12571 was issued by the Department on June 25, 1996. The permit authorized the use of up to 0.89 cfs of water from one well in Paulina Creek Basin for industrial use. The permit specified actual construction of the well to begin by June 25, 1997, construction of the water system was to be completed by October 1, 1998, and complete application of water was to be made on or before October 1, 1999.
2. According to the permit holder, the authorized water under this permit will be used in

conjunction with exploration, construction, operation and maintenance of a geothermal electric project located within the Newberry Known Geothermal Area in Deschutes County.

3. On September 10, 2001, Permit G-12571 was assigned by the Department from C.E. Exploration Company to ORNI4, LLC by proof of ownership.
4. On December 19, 2002, the Department approved a plan to monitor and report the impact of water use under this Permit.
5. One prior permit extension has been granted for Permit G-12571. The most recent extension request resulted in the completion date for construction and full application of water being extended from October 1, 1999 to October 1, 2015.
6. On September 30, 2010, Permit G-12571 was assigned by the Department from ORNI4, LLC to Davenport Newberry Holdings, LLC by proof of ownership.
7. On October 4, 2010, the Department received a progress report. On January 19, 2011, the Department determined that diligence towards the completion of the project and compliance with terms and conditions of the permit and extension had been demonstrated.
8. On May 28, 2013, the Department approved Permit Amendment T-11460 (Special Order Volume 89, Page 793) authorizing an additional point of appropriation, Well 46-16 (DESC 58649) under Permit G-12571.
9. On May 28, 2013, superseding permit G- 17031 was issued to describe the Permit Amendment T-11460.
10. AltaRock Energy on behalf of the permit holder, Davenport Newberry Holdings, LLC submitted an "Application for Extension of Time" to the Department on June 1, 2015, requesting both the time to complete construction of the water system and the time to apply water to full beneficial use under the terms and conditions of Permit G-17031 be extended from October 1, 2015 to October 1, 2030.
11. Notification of the Application for Extension of Time for Permit G-17031 was published in the Department's Public Notice dated June 9, 2015. No public comments were received regarding the extension application.
12. On July 6, 2015, the permit holder submitted additional information to supplement their application for extension of time.

**Review Criteria [OAR 690-315-0040]**

*The time limits to complete construction and/or apply water to full beneficial use may be extended if the Department finds that the permit holder has met the requirements set forth under OAR 690-315-0040. This determination shall consider the applicable requirements of ORS 537.230<sup>2</sup>, 537.248<sup>3</sup>, 537.630<sup>4</sup> and/or 539.010(5)<sup>5</sup>.*

**Complete Extension of Time Application [OAR 690-315-0040(1)(a)]**

13. On June 1, 2015, the Department received a completed Application for Extension of Time and the fee specified in ORS 536.050 from the permit holder.

**Start of Construction [OAR 690-315-0040(1)(b) and 690-315-0040(5)]**

14. According to the permit holder actual construction of the well began prior to the June 25, 1997 deadline specified in the permit.

**Duration of Extension [OAR 690-315-0040(1)(c)]**

*Under OAR 690-315-0040(1)(c), in order to approve an extension of time for water use permits the Department must find that the time requested is reasonable and the applicant can complete the project within the time requested.*

15. As of June 1, 2015, the permit holder states the remaining work to be completed consists of developing a Well 7; completing construction of the water system; meeting all permit conditions and applying water to full beneficial use.
16. Given the amount of development left to occur, the Department has determined that the permit holder's request to have until October 1, 2030, to complete construction of the water system and to accomplish the application of water to beneficial use under the terms and conditions of Permit G-17031 is both reasonable and necessary.

**Good Cause [OAR 690-315-0040(1)(d)]**

*The Department's determination of good cause shall consider the requirements set forth under OAR 690-315-0040(2).*

**Reasonable Diligence of the Appropriator [OAR 690-315-0040(2)(a)]**

*The Department's determination of reasonable diligence shall consider the requirements set forth under OAR 690-315-0040(3)(a-d). In accordance with OAR 690-315-0040(3), the Department shall consider, but is not limited to, the following factors when determining whether the applicant has demonstrated reasonable diligence in previous performance under the permit:*

---

<sup>2</sup>ORS 537.230 applies to surface water permits only.

<sup>3</sup>ORS 537.248 applies to reservoir permits only.

<sup>4</sup>ORS 537.630 applies to ground water permits only.

<sup>5</sup>ORS 539.010(5) applies to surface water and ground water permits.

*Amount of Construction [OAR 690-315-0040(3)(a)]*

17. According to the permit holder, work was accomplished within the time allowed in the permit or previous extension as follows:
  - a. According to the application actual construction of the well began prior to the June 25, 1997 deadline specified in the permit.
  - b. No work was completed during the original development time frame under Permit G-17031.
  - c. During the most recent extension period, being from October 1, 1999 to June 1, 2015 the following was accomplished:
    - Completed construction on Well 46-16 (DESC 58649) that provided water for geothermal well drilling, dust abatement and general construction;
    - Received Department approval of a ground water monitoring plan;
    - Received Department approval for permit amendment T-11460;
    - Completed road enhancement; and
    - Constructed three well pads.

*Beneficial Use of Water [OAR 690-315-0040(3)(b)]*

18. According to the water user a maximum rate of 0.233 cfs of water has been appropriated from the Well 46-16 (58649) for industrial use.
19. According to the permit holder, delay of full beneficial use of water under Permit G-17031 was due, in part, to limited finances, good faith attempts to comply with regulations and obtaining necessary permits from other federal and state agencies with jurisdiction over the project, and challenges associated with drilling and stimulating exploratory enhanced geothermal systems.

*Compliance with Conditions [OAR 690-315-0040(3)(c)]*

20. The Department has considered the permit holder's compliance with conditions, and did not identify any concerns.

*Financial Investments to Appropriate and Apply Water to a Beneficial Purpose [OAR 690-315-0040(2)(b),(3)(d),(4)(d)]*

21. As of June 1, 2015, the permit holder states they have invested approximately \$446,088, which is approximately 55 percent of the total projected cost for complete development of the water supply wells authorized under this permit. The permit holder anticipates an additional \$369,500 investment is needed for the completion of the water supply wells, under this permit.
22. There is an overlap in equipment, infrastructure, and regulatory compliance cost

associated with drilling both water supply and geothermal wells at the site. Thus, the investments in geothermal development are costs associated with development of the water supply wells. According to the permit holder, they have invested approximately \$44,855,250, in geothermal development which is approximately 56 percent of the total projected cost for complete development of geothermal project. The permit holder anticipates an additional \$34,592,000 investment is needed for the completion of the geothermal project.

*Good Faith of the Appropriator [OAR 690-315-0040(2)(c)]*

23. The Department has found good faith of the appropriator under Permit G-17031.

*The Market and Present Demands for Water [OAR 690-315-0040(2)(d-e)]*

*The Department's determinations of market and present demand for water or power to be supplied shall consider the requirements set forth under OAR 690-315-0040(4)(a-f). In accordance with OAR 690-315-0040(4), the Department shall consider, but is not limited to, the following factors when determining the market and the present demand for water or power to be supplied:*

24. The amount of water available to satisfy other affected water rights and scenic waterway flows; special water use designations established since permit issuance, including but not limited to state scenic waterways, federal wild and scenic rivers, serious water management problem areas or water quality limited sources established under 33 U.S.C. 1313(d); or the habitat needs of sensitive, threatened or endangered species, in consultation with the Oregon Department of Fish and Wildlife [OAR 690-315-0040(4)(a-c)].

The amount of water available to satisfy other affected water rights and scenic waterway flows was determined at the time of issuance of Permit G-17031; furthermore, water availability for other affected water rights and scenic waterway flows after the permit was issued is determined when an application for a new water right is submitted. The points of appropriation for Permit G-17031, located within the Paulina Creek Basin, located above the Deschutes Scenic Waterway, and, it is located within an area ranked "high" for stream flow restoration needs as determined by the Department in consultation with the Oregon Department of Fish and Wildlife, and is located within a Sensitive, Threatened or Endangered Fish Species Area as identified by the Department in consultation with Oregon Department of Fish and Wildlife. The points of appropriation are not in an area listed by the Department of Environmental Quality as a water quality limited stream.

*Other economic interests dependent on completion of the project [OAR 690-315-0040(4)(e)].*

25. Davenport Newberry Holdings, LLC intends to ultimately generate electricity from a geothermal power project to be developed on the site. Geothermal energy will provide power from a clean, renewable source, ensuring an uninterrupted and affordable supply of energy. In addition to federal and state taxes generated from a successful project,

this project will generate royalties for Deschutes County, the State of Oregon, and the federal government. Of all royalties, 75% will go directly to the State of Oregon and Deschutes County. Ongoing and anticipated work at the site will generate hundreds of jobs. Davenport's Innovate Exploration and Enhanced Geothermal Systems grants alone generated 50 person-years of work.

*Other factors relevant to the determination of the market and present demand for water and power [OAR 690-315-0040(4)(f)].*

26. Development of this project will contribute to state and federal initiatives toward increasing the use of renewable, alternative energy sources. The importance of the Newberry site has been recognized through award of Innovate Exploration and Enhanced Geothermal Systems grants from the U.S. Department of Energy. In May 2015, the Newberry site was also one of five geothermal site selected to receive a grant for Phase 1 of the Department of Energy's Frontier Observatory for Research in Geothermal Energy program.
27. OAR 690-315-0050(6) requires the Department to place a checkpoint condition on this extension of time in order to ensure diligence is exercised in the development and perfection of the water use permit. A "Checkpoint Condition" is specified under Item 1 of the "Conditions" section of this PFO to meet this condition.

*Fair Return Upon Investment [OAR 690-315-0040(2)(f)]*

28. Use and income from the permitted water development will likely result in reasonable returns upon the investment made to date.

*Other Governmental Requirements [OAR 690-315-0040(2)(g)]*

29. Delay in the development of this project was caused by any other governmental requirements. Obtaining the necessary permission to conduct geothermal exploration activities from the appropriate state and federal authorities has substantially delayed the continued development of the project.

*Unforeseen Events [OAR 690-315-0040(2)(h)]*

30. According to the permit holder, unforeseen events extended the length of time needed to fully develop and perfect Permit G-17031, in that unanticipated circumstances and the complexity of the project have prolonged completion. The geothermal project plans have changed to include development of hot but dry geothermal wells, which require securing new grant funding and a new cost-share partner.

## **CONCLUSIONS OF LAW**

1. The applicant is entitled to apply for an extension of time to complete construction and/or completely apply water to the full beneficial use pursuant to ORS 537.630(1).

2. The applicant has submitted a complete extension application form and the fee specified in ORS 536.050, as required by OAR 690-315-0040(1)(a).
3. The applicant complied with begin actual construction timeline requirements pursuant to ORS 537.630 as required by OAR 690-315-0040(1)(b) and OAR 690-315-0040(5).
4. Completion of construction and full application of water to beneficial use can be accomplished by October 1, 2030, as required by OAR 690-315-0040(1)(c).
5. The Department has considered the reasonable diligence and good faith of the appropriator, the cost to appropriate and apply water to a beneficial purpose, the market and present demands for water to be supplied, the financial investment made and fair and reasonable return upon the investment, the requirements of other governmental agencies, and unforeseen events over which the permit holder had no control, whether denial of the extension will result in undue hardship to the applicant and whether there are no other reasonable alternatives for meeting water use needs, any other factors relevant to a determination of good cause, and has determined that the applicant has shown that good cause exists for an extension of time to complete construction and apply water to full beneficial use pursuant to OAR 690-315-0040(1)(d).
6. As required by OAR 690-315-0050(6) and as described in Finding 22 above, the Department has established, as specified in the "Conditions" section of this PFO (Item 1), progress checkpoints in order to ensure future diligence is exercised in the development and perfection of Permit G-17031.

**Continued on the following page**



## PROPOSED ORDER

Based upon the foregoing Findings of Fact and Conclusions of Law, the Department proposes to issue an order to:

Extend the time to complete construction of the water system under Permit G-17031 from October 1, 2015 to October 1, 2030.

Extend the time to apply water to beneficial use under Permit G-17031 from October 1, 2015 to October 1, 2030.

Subject to the following conditions:

### CONDITIONS

1. Checkpoint Condition

The permit holder must submit a completed Progress Report Form to the Department by **October 1, 2019, 2024, and 2029. A form will be enclosed with your Final Order.**

- (a) At each checkpoint, the permit holder shall submit and the Department shall review evidence of the permit holder's diligence towards completion of the project and compliance with terms and conditions of the permit and extension. If, after this review, the Department determines the permit holder has not been diligent in developing and perfecting the water use permit, or complied with all terms and conditions, the Department shall modify or further condition the permit or extension to ensure future compliance, or begin cancellation proceedings on the undeveloped portion of the permit pursuant to ORS 537.260 or 537.410, or require submission of a final proof survey pursuant to ORS 537.250;
- (b) The Department shall provide notice of receipt of progress reports in its weekly notice and shall allow a 30 day comment period for each report. The Department shall provide notice of its determination to anyone who submitted comments.

DATED: July 28, 2015

  
Dwight W. French, Administrator,  
Water Right Services Division

*If you have any questions,  
please check the information  
box on the last page for the  
appropriate names and  
phone numbers.*

### Proposed Final Order Hearing Rights

1. Under the provisions of OAR 690-315-0100(1) and 690-315-0060, the applicant or any other person adversely affected or aggrieved by the proposed final order may submit a written protest to the proposed final order. The written protest must be received by the Water Resources Department no later than **September 11, 2015**, being 45 days from the date of publication of the proposed final order in the Department's weekly notice.
2. A written protest shall include:
  - a. The name, address and telephone number of the petitioner;
  - b. A description of the petitioner's interest in the proposed final order and if the protestant claims to represent the public interest, a precise statement of the public interest represented;
  - c. A detailed description of how the action proposed in the proposed final order would adversely affect or aggrieve the petitioner's interest;
  - d. A detailed description of how the proposed final order is in error or deficient and how to correct the alleged error or deficiency;
  - e. Any citation of legal authority supporting the petitioner, if known;
  - f. Proof of service of the protest upon the water right permit holder, if petitioner is other than the water right permit holder; and
  - g. The applicant or non-applicant protest fee required under ORS 536.050.
3. Within 60 days after the close of the period for requesting a contested case hearing, the Director shall:
  - a. Issue a final order on the extension request; or
  - b. Schedule a contested case hearing if a protest has been submitted, and:
    - 1) Upon review of the issues, the Director finds there are significant disputes related to the proposed agency action; or
    - 2) The applicant submits a written request for a contested case hearing within 30 days after the close of the period for submitting protests.

**NOTICE TO ACTIVE DUTY SERVICEMEMBERS:** Active Duty Service members have a right to stay these proceedings under federal Service members Civil Relief Act. For more information contact the Oregon State Bar at 800-452-8260, the Oregon Military Department at 800-452-7500 or the nearest United States Armed Forces Legal Assistance Office through <http://legalassistance.law.of.mil>

- 
- If you have questions about statements contained in this document, please contact Machelie A Bamberger at (503)986-0802.
  - If you have questions about how to file a protest or if you have previously filed a protest and you want to know the status, please contact Patricia McCarty at 503-986-0820.
  - If you have any questions about the Department or any of its programs, please contact our Water Resources Customer Service Group at 503-986-0900.
  - Address any correspondence to :      Water Right Services Division  
725 Summer St NE, Suite A  
Salem, OR 97301-1266  
Fax: 503-986-0901
-

Mailing List for Extension PFO Copies

PFO Date: July 28, 2015

Copies Mailed

Application: G-13710

By: \_\_\_\_\_

Permit: G-17031

On: \_\_\_\_\_

Original mailed to Applicant:

Davenport Newberry Holdings, LLC.  
C/O AltaRock Energy  
4010 Stone Way, Suite 400  
Seattle, WA

Copies sent to:

1. WRD - App. File G-13710/ Permit G-17031
2. GSI Water Solutions  
Adam Sussman  
1600 SW Western BLVD, Suite 240  
Corvallis, OR 97333

Fee paid as specified under ORS 536.050 to receive copy:

3. None

Receiving via e-mail (10 AM Tuesday of signature date)  
(DONE BY EXTENSION SPECIALIST)

4. WRD - Watermaster District 11, Jeremy Giffin

CASEWORKER: MAB