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STATE OF CALIFORNIA

**Energy Resources Conservation
and Development Commission**

In the Matter of:

BLYTHE ENERGY PROJECT PHASE II

ALTAGAS SONORAN ENERGY INC.

Docket No. 02-AFC-01C

**ALTAGAS SONORAN ENERGY INC.'S
PETITION FOR EXTENSION OF THE COMMENCEMENT OF CONSTRUCTION
DEADLINE FOR THE BLYTHE ENERGY PROJECT PHASE II**

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Pursuant to Title 20, California Code of Regulations, section 1720.3, AltaGas Sonoran Energy Inc. (“AltaGas Sonoran” or “Project Owner”) submits this Petition for Extension of the Construction Deadline for the Blythe Energy Project Phase II (“Sonoran”¹ or the “Project”). Specifically, AltaGas Sonoran herein requests an extension of eighteen (18) additional months to commence construction of the Project.²

¹ AltaGas Sonoran understands that the Commission must approve the name change requested in the Petition to Amend, submitted to the CEC Compliance Project Manager (“CPM”) on July 15, 2015 and docketed August 7, 2015 (TN# #205652). However, to avoid confusion among the many projects named “Blythe” in the region, all documents submitted in the instant Petition to Amend proceeding identify the project as the “Sonoran Energy Project.”

² Currently, the deadline for commencement of construction of Blythe II is December 14, 2016; thus, an eighteen-month extension would allow for a deadline of June 14, 2018.

I. BACKGROUND

In December 2005, the California Energy Commission issued a Final Decision for and granted a license to construct the 520 megawatt (“MW”) Blythe II project. Upon receipt of the license, Caithness Blythe II, LLC (“Caithness”) worked over the course of several years to overcome various interconnection and other issues that prevented initiation of construction. In October 2009, Caithness filed a Petition to Amend the license and, subsequently, in October 2010 requested an extension of the construction deadline. (TN# 53798 and TN# 58901, respectively.) In April 2012, the Energy Commission approved the Petition to Amend (TN# 64945) and granted Caithness’ request for extension of the commencement of construction deadline to December 14, 2016. (TN# 64946.)

Three years into the construction deadline extension, AltaGas Power Holding (U.S.) Inc. acquired 100 percent of the equity interests in the owner of Blythe II. Following the closing of that acquisition, Caithness Blythe II, LLC was converted from a Delaware limited liability company to a Delaware corporation and the company’s name was changed to AltaGas Sonoran Energy Inc. (“AltaGas Sonoran”).³ (TN# 202323.) Immediately thereafter, AltaGas Sonoran began working with its consultants and engineers to develop modifications to the project design in an effort to construct a least cost, best fit project while taking into account the current energy market and environmental conditions, as well as to resolve interconnection issues associated with

³ The Energy Commission approved the ownership transfer from Caithness Blythe II, LLC to AltaGas Sonoran. (See *Notice of Decision -Transfer of Ownership*, dated June 18, 2014 (TN# 202641); see also *Order Approving Transfer of Ownership to AltaGas Sonoran Energy Inc.*, dated June 18, 2014 (TN# 202592).

the licensed project. In that regard, on July 15, 2015, AltaGas submitted a Petition to Amend⁴ to allow for the following project modifications:

- Define a new point of interconnection (due to the nonexistence of the Keim substation);
- Replace the two Siemens SGT6-5000F combustion turbines with a single, more efficient GE Frame 7HA.02 combustion turbine;
- Replace the Siemens steam turbine generator with a more efficient single-shaft General Electric D652 steam turbine generator;
- Increase the size of the auxiliary boiler to support General Electric's rapid response fast start capability;
- Decrease the size of cooling tower from an 11-cell to a 10-cell tower in response to the reduced heat rejection requirements;
- Decrease the size of the emergency diesel fire pump engine; and
- Optimize the general arrangement.

(See AltaGas Sonoran's Petition to Amend, Section 1.0 (TN #205652) and Notice of Receipt of Petition to Amend (TN #205798).)

AltaGas Sonoran seeks an extension of the commencement of construction deadline to ensure adequate time for Staff's review of the Petition to Amend and the Commission's consideration of the modifications proposed therein, and ensure enough time to secure an engineering, procurement and construction contract, and subsequently comply with pre-construction conditions of certification.

II. EXTENSION OF COMMENCEMENT OF CONSTRUCTION DEADLINE

Title 20, California Code of Regulations, section 1720.3 states, in pertinent part that “[p]rior to the [construction] deadline, the applicant may request, and the commission may order, an extension of the deadline for good cause.” The Commission has previously identified specific factors considered “particularly important” when determining whether good cause exists to grant

⁴ See FN 1.

an extension of the deadline to commence construction.⁵ Such factors include the following:

whether the project owner was diligent in seeking to begin construction, and in seeking the extension;

whether factors beyond the project owner's control prevented success; and

a comparison of (a) the amount of time and resources that would have to be spent by the project owner, the Commission, and interested persons in processing any amendments to the license if the extension is granted; with (b) the amount of time and resources that would have to be spent in processing a new AFC, if the extension is denied

(Tesla Power Project, Order No. 09-921-11, at p. 4.) As demonstrated below, AltaGas Sonoran meets each of the factors noted above and requests the Commission grant this extension request.

A. AltaGas Sonoran has been Diligent in Seeking to Begin Construction of the Project

Since acquisition, AltaGas Sonoran has been diligently developing a project that meets existing market needs and current environmental conditions. Upon acquisition of 100 percent of the equity interests in the owner of Blythe II in April 2014, AltaGas Sonoran began developing the modified project reflected in the pending PTA (TN #205652) and, on November 14, 2014, met with CEC Staff and the Project CPM to discuss initial details of the modified project and respond to initial Staff inquiries regarding the same. Specifically, AltaGas Sonoran spent considerable time engineering a project that will support the integration of renewable resources while providing efficient, fast-start, combined cycle gas-fired generation that, among other things, will utilize dry combustors and water treatment of tower effluent, as well as share certain infrastructure with the existing and operational Blythe Energy Project.

⁵ See Order 09-923-11 in the Tesla Power Project Docket (TN# 53413), dated September 23, 2009.

B. Factors Beyond AltaGas Sonoran's Control May Prevent Commencement of Construction by December 14, 2016

Commencement of construction of the Project had not begun when AltaGas Sonoran acquired 100 percent of the equity interests in the owner of Blythe II in April 2014. As noted above, however, since acquisition of the Project, AltaGas Sonoran has made diligent efforts to redesign the Project as quickly as possible to resolve project-related issues. These efforts include, among many things, working with the California Independent System Operator and other agencies to determine a new point of interconnection due to the fact that the Keim substation, which the April 2012 license amendment requires for interconnection, was never constructed; determining the best approach for replacing the approved Siemens combustion turbines with a single, more efficient combustion turbine; and, optimizing the general arrangement of the Project on the site to maximize aviation safety.

In that regard, on July 15, 2015, AltaGas Sonoran submitted a Petition to Amend the Project license. As described above, the Petition sought to change various project components, as well as proposed revisions to certain existing infeasible conditions of certification required to be satisfied prior to commencement of construction (i.e., TRANS-9). The following events have occurred since the PTA was filed:

- Siting Committee assigned to the Project - August 12, 2015
- Site Visit & Informational Hearing - September 28, 2015
- Staff issued Data Requests, Set One - October 9, 2015
- Committee issued Scheduling Order - October 27, 2015
- Project Owner's Responses to Staff's Data Requests, Set One - November 12, 2015
- Mojave Desert AQMD issued PDOC - December 18, 2015
- CEC Staff published the Preliminary Site Assessment ("PSA") - February 1, 2016

According to the October 27, 2015 Committee Scheduling Order, Staff had to issue the Preliminary Staff Assessment within 30 days of the Air District's publication of the Preliminary Determination of Compliance ("PDOC") (which occurred on December 18). Staff, however, claims that the 30-day timeframe for issuance of the PSA equates to a "tentative" deadline of January 18, 2016 and, as such, has indicated that the PSA is "anticipated to be issued by January 29, 2016." (Staff's Status Report #3, TN # 207188.) The PSA was docketed and transmitted to the parties on February 1, 2016. Given the timing to process the PTA to this point, and the additional time required to process the PTA from the date of PSA publication (estimated approximately 4-5 months based on the current Committee Order)), it is likely that a decision on the PTA will be not made until the second or third quarter of 2016.

Coupled with the foregoing schedule that is beyond the control of the Project Owner remains the fact that once a decision on the PTA is made, there are numerous pre-construction requirements in the existing (and proposed to be revised) Conditions of Certification, some of which must be complied with 60 or more days prior to construction or site mobilization.⁶ Therefore, based on the fact that the project modification is currently undergoing environmental review by Staff, and to ensure enough time to secure an engineering, procurement and construction contract, as well as to ensure compliance with pre-construction conditions of certification, AltaGas Sonoran requests an eighteen (18) month extension of the current deadline for commencement of construction activities.

⁶ See, e.g., current Conditions of Certification BIO-4, LAND-1, WORKER SAFETY-6.

C. Processing and Implementation of the Pending Petition to Amend Would Take Far Less Resources than an Entirely New Application for Certification

AltaGas Sonoran believes that the filing of an entirely new application for certification would unnecessarily expend substantial amounts of time, resources, and effort by all parties, particularly in light of the fact that a Petition to Amend is already pending and Staff's issuance of a PSA is imminent. Specifically, the proposed modifications to the Project are not expansive and, as such, do not present substantial issues requiring significant new analysis, time, or Staff resources. There is no change to the environmental baseline at and near the site. Change to the Project size is immeasurable and, in fact, the project footprint within the licensed site is smaller than the licensed project. Furthermore, any changes in air emissions not only will be negligible, but will be a positive change as compared to the currently licensed project. Therefore, as these modifications are not substantial, it is unnecessary to require the significant time and expense that is needed to prepare and process an application for certification since the processing of the pending Petition to Amend should occur by mid-2016. In fact, processing of the pending PTA and allowing the project owner time to secure an engineering, procurement and construction contract and effectively comply with pre-construction conditions of certification will take substantially less time, effort, and resources than that required to process a new application for certification.

III. CONCLUSION

Based on the foregoing, AltaGas Sonoran requests that the Commission extend the Project construction deadline by eighteen (18) months, to June 14, 2018.

Dated: February 3, 2016



By: _____

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