

DOCKETED

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Project Title:	Compliance - Application for Certification for Midway-Sunset Cogeneration Project
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Document Title:	Midway Sunset Cogeneration - Petition to Change Ownership of Steam Distribution Line 20160413
Description:	Midway Sunset Cogeneration - Petition to Change Ownership of Steam Distribution Line 20160413
Filer:	Mary Dyas
Organization:	California Energy Commission
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March 31, 2016

CC-1963

Ms. Mary Dyas
Compliance Project Manager
California Energy Commission
1516 Ninth Street (MS-2000)
Sacramento, CA 95814

Subject: Midway Sunset Cogeneration Company (MSCC) Divestiture of Remaining Portion of the Main Steam Distribution Line.

Dear Ms. Dyas,

Our sincere thanks to you for the help you have given us concerning MSCC's divestiture of the remaining portion of its main steam distribution line.

As you are aware, MSCC is a cogeneration facility comprised of three GE Frame 7E combustion turbine generators (CTGs). The three CTGs were designed to produce electricity for sale to utilities and across the fence to the steam host who is a 50% owner of MSCC. The steam host purchases all the steam generated by the CTGs for use in thermally enhanced oil recovery (TEOR). Over the past twenty six years of operation, oil production and, subsequently, steam demand has declined. Starting November 1, 2010, the steam host required steam from only two CTGs. Starting October 1, 2014, the steam host required steam from only one CTG. Since the original steam distribution system was designed for steam output from three CTGs, steam production from one CTG was not enough to maintain the required pressure, temperature and quality at distant injection wells. To maintain pressure and quality throughout the distribution system at the reduced flow rates, MSCC, with approval from the California Energy Commission (CEC), removed from service approximately 9000 feet of the furthest portion of the main steam distribution line. The steam host, who as a 50% partner in MSCC, already owns half of the distribution line, purchased the remaining interest in the abandoned line from MSCC for use in their local steam distribution system.

The steam host is predicting that, by the year 2020, the steam demand will not be enough to maintain the operation of the last MSCC cogeneration unit. At that point, the steam host will operate small steam generators connected to their own steam distribution system. Portions of MSCC's main steam distribution line will be integral to the steam host's distribution system. As such, the steam host has approached MSCC with an offer to purchase, and maintain the remaining portion of the main steam distribution line. After MSCC steam production ends, the steam line would be for the sole purpose of the steam host. The offer is advantageous for MSCC by reducing maintenance costs, by reducing liability and safety exposure, and by eliminating MSCC's decommissioning expense when MSCC no longer requires use of the main steam distribution line. The change of ownership has the further advantage of reducing the biological disturbance of the decommissioning of MSCC's steam line and the installation of the steam host's distribution line.

MSCC has met with the steam host and explained the importance of the Final Decision granted to MSCC by the CEC. As a result, please find attached a signed declaration by the Sr. VP of Production that the steam host will comply with the CEC's Final Decision as it pertains to the operation and maintenance of MSCC's main steam line.

MSCC is also submitting, with this letter, a Post Certification Amendment for the divestiture of the main steam line.

Thanks for your time and help in this matter. If you have any questions or comments, please contact me at (661)768-3020 or Ray Smith at (661) 768-3016.

Sincerely,



Dave Faiella
Executive Director

File CC-1963
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This petition for a Midway Sunset Cogeneration Company (MSCC) post-certification modification of the steam line is being submitted under the provisions of Section 1769(a) of Title 20, California Code of Regulations seeking divestiture of approximately 22,698 feet of the existing steam line. The petition is organized to address the informational requirements of Section 1769(a) in order of appearance. The requirements are in ***bold italics*** with the responses in standard type.

(A) A complete description of the proposed modifications, including new language or any conditions that will be affected.

MSCC respectfully petitions the CEC to allow the divestiture of the remaining portion of MSCC's main steam distribution line. The divestiture of the main steam distribution line requires no new language nor does it affect any conditions.

(B) A discussion for the necessity for the Proposed Modification.

MSCC is a cogeneration facility comprised of three GE Frame 7E combustion turbine generators (CTGs). The three CTGs were designed to produce electricity for sale to utilities and across the fence to the steam host who is a 50% owner of MSCC. The steam host also purchases all the steam generated by the CTGs for use in thermally enhanced oil recovery (TEOR). Over the past twenty six years of operation, oil production and, subsequently, steam demand has declined. Starting November 1, 2010, the steam host required steam from only two CTGs. Starting October 1, 2014, the steam host required steam from only one CTG. The steam host is predicting that, by the year 2020, the steam demand will not be enough to maintain the operation of the last MSCC cogeneration unit. At that point, the steam host will operate small steam generators connected to their own steam distribution system. Portions of MSCC's main steam distribution line will be integral to the steam host's distribution system. As such, the steam host has approached MSCC with an offer to purchase, and maintain, the remaining portion of the main steam distribution line. After MSCC steam production ends, the steam line would be for the sole purpose of the steam host. The offer is advantageous for MSCC by reducing maintenance costs, by reducing liability and safety exposure, and by eliminating MSCC's decommissioning expense when MSCC no longer requires use of the main steam distribution line. The change of ownership has the further advantage of reducing the biological disturbance of the decommissioning of MSCC's steam line and the installation of the steam host's distribution line.

(C) If the modification is based on information that was known by the petitioner during the certification proceeding, an explanation why the issue was not raised at that time.

An accurate life span for MSCC, the steam host and its steam distribution system was not known during the certification proceeding.

(D) If the modification is based on new information that changes or undermines the assumptions, rational findings, or other bases of the final decision, an explanation of why the changes should be permitted.

The divestiture of the main steam distribution line does not change or undermine the assumptions, rational findings, or other bases of the final decision.

(E) An analysis of the impacts the modification may have on the environment, and proposed measures to mitigate any significant adverse impacts.

The divestiture of the main steam distribution line will have a positive impact on the environment by reducing the biological disturbance of decommissioning and rebuilding.

(F) A discussion of the impact of the modification on the facilities ability to comply with applicable laws, ordinances, regulations and standards.

The divestiture of the main steam distribution line will not impact MSCC's ability to comply with applicable laws, ordinances, regulations and standards.

(G) A discussion of how the modification affects the public.

The divestiture of the main steam distribution line will have no effect on the public.

(H) A list of property owners potentially affected by the modification.

The divestiture of the main steam distribution line will affect only the steam host. No other property owners will be affected.

(I) A discussion of the potential effect on nearby property owners, the public and the parties in the application proceedings.

The divestiture of the main steam distribution line has no potential effect on nearby property owners.



CALIFORNIA ENERGY COMMISSION

DOCKET NO: 85-AFC-3

**DECLARATION IN SUPPORT OF PURCHASE
OF MIDWAY SUNSET COGENERATION COMPANY
MAIN STEAM DISTRIBUTION LINE**

I, the undersigned, declare:

1. I am a Senior Vice President of Aera Energy LLC, (Aera) the steam host and 50% owner of Midway Sunset Cogeneration Company (MSCC).
2. I have approved the purchase, by Aera, of the remaining portion of MSCC's main steam distribution line.
3. I have met with MSCC and understand the importance of the Final Certification granted to MSCC by the California Energy Commission (CEC).
4. I agree that Aera will comply with Part V "Environmental Analysis"; Section B "Biological Resources"; Condition 9 of MSCC's final CEC Certification. Condition 9 addresses the steam host's portion of MSCC's settlement with the CEC concerning the issue of CEC jurisdiction over the steam service area and requires the steam host (Aera) to submit annual reports of Aera's Endangered Species Compliance Program. The subject annual reports will be submitted to MSCC for inclusion in MSCC's Annual Operating Report.

This declaration is made under penalty of perjury under the laws of the State of California.

DATED: March 21, 2016

Sincerely,

A handwritten signature in black ink that reads "Ron John". The signature is written in a cursive style with a large, prominent 'R' and 'J'.

Ron John

Senior Vice President
Aera Energy LLC