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DOCKET	
02-AFC-1C	
DATE	_____
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STATE OF CALIFORNIA

Energy Resources
Conservation and Development Commission

In the Matter of:

Blythe Energy Project Phase II

DOCKET NO. 02-AFC-01C

**CAITHNESS BLYTHE II, LLC'S PETITION
FOR EXTENSION OF THE CONSTRUCTION
DEADLINE**

INTRODUCTION

Pursuant to Section 1720.3 of the California Energy Commission's (CEC) Rules of Practice and Procedure, Caithness Blythe II, LLC (Caithness or Project Owner) hereby requests a one (1) year extension of the deadline for the commencement of construction for the Blythe Energy Project Phase II (BEP II) in order to complete an amendment currently being processed by the CEC. Caithness filed to amend the BEP II on November 1, of 2009. In short, the current BEP II Amendment seeks to modify the permitted turbine technology, permit a modified point of interconnection, and incorporate fast start technology to enable the project to reduce start up times and meet the demands of the growing and changing energy market. In consideration of the time, effort and resources that CEC Staff members have already spent processing the BEP II Amendment, Caithness believes one (1) year will be adequate to enable Caithness to deliver any and all additional information Staff may need to complete their analysis of the Amendment. Caithness will request an additional extension for the BEP II, if approved and as amended, at the conclusion of the amendment proceedings.

BACKGROUND

In February of 2002, Caithness filed an application for certification (AFC) with the CEC for a nominal 520 megawatt (MW) combined cycle project located in Blythe, California. Caithness was granted a license to construct and operate the BEP II on December 14, 2005. During the permitting of the BEP II and for the past seven (7) years Caithness has been working diligently with the California Independent System Operator (CAISO), Southern California Edison (SCE), and other stakeholders to perfect the BEP II interconnection to the electrical grid. Caithness filed an interconnection request for the BEP II with SCE and the CAISO on March 17, 2003. SCE completed the System Impact Study (SIS) on March 16, 2006 and the Facilities Study on February 2, 2007. The Facilities Study was later approved by the CAISO on February 9, 2007. Shortly thereafter CAISO declared the BEP II one hundred (100) percent deliverable for purposes of resource adequacy with no system upgrade costs assigned to the project. During the entire seven (7) year plus process the Large Generator Interconnection Agreement (LGIA) interconnection and network upgrades have gone from over \$300 million to approximately \$17.3 million dollars. Finally, on May 7, 2007, Caithness filed an expansion request for the BEP II with SCE and the CAISO for the additional capacity contemplated as a result of the modified turbine technology. The CAISO and SCE performed a Feasibility Study on the expansion request and subsequently waived the SIS and the Facilities Study in granting that request.

As previously mentioned one of the purposes of the BEP II Amendment is to modify the point of interconnection to the Keim Substation. The Desert Southwest Transmission Project (DSWTP) permitting effort, which included the Keim Substation, ran concurrent with the BEP II AFC permitting endeavor and thereafter. To date the DSWTP is a fully permitted 500 kV transmission line which extends from the Keim Substation to Devers. Subsequently proposing the first point of interconnection at the Keim Substation was a pivotal part of Caithness being able manage and reduce all required interconnection and network upgrades.

To date the BEP II has one of the most senior serial queue positions at the CAISO but has been unable until recently to extract a workable LGIA from the process. The resulting LGIA, which was issued on or around January 25, 2010, and subsequently executed by both Caithness and the CAISO, represents a significant expenditure of time and money by Caithness as well as a multitude of government agencies. Until this agreement was finalized there was no clear path to perfecting a Power Purchase Agreement (PPA) with any utility in or out of the CAISO. In

addition, the assigned interconnection and network upgrade costs varied dramatically throughout the process and at times was as a deterrent to making the BEP II a viable option for utilities seeking the power.

EXTENSION OF COMMENCEMENT OF CONSTRUCTION DEADLINE

In a recent Commission decision on the Tesla Power Project's *Petition for Extension of the Construction Deadline*, the Commission promulgated a list of factors to be considered on whether or not to good cause exists to grant such an extension. The Commission found the following factors "*particularly important*";

- *whether the project owner was diligent in seeking to begin construction,*
- *in seeking the extension;*
 - *whether factors beyond the project owner's control prevented success; and*
 - *a comparison of 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 the amount of time and resources that would have to be spent in processing a new AFC if the extension is denied.*

In accordance with the Commission's established principles, from the aforementioned Commission decision on the Tesla Power Project's *Petition for Extension of the Construction Deadline*, which reads in pertinent part; "[i]f a project owner finds it necessary to substantially change the scope of a licensed project, a license for the amended project (i.e., an amendment to the original license) must be obtained before a substantial extension of the license can be sought." Caithness believes good cause exists for the CEC to grant this one (1) year *Petition for the Extension of the Construction Deadline* for the BEP II.

I. CAITHNESS HAS BEEN DILIGENT IN SEEKING TO SECURE A POWER PURCHASE AGREEMENT AND BEGIN CONSTRUCTION OF THE BEP II

In order to secure financing, and for all intensive purposes begin construction, Caithness must have a willing purchaser of a majority of the power which would be delivered by the BEP II. To that end, Caithness has responded to past and recent solicitations and bid the BEP II into SCE's Request for Proposals (RFP) for New Generation Resources in May of 2005, the Arizona Public Service Company's (APS) RFP for Long Term Capacity Supply in July of 2005, Imperial Irrigation District's (IID) RFP for Gas Fired Capacity in December of 2005, SCE's Request for

Offers (RFO) for New Generation in August of 2006, SCE's Revised New Generation RFO in December of 2006, as well as SCE's RFP solicitation in 2008. Caithness has been unable to secure a Power Purchase Agreement (PPA) despite aggressively participating in utility procurement RFO's. In addition, the BEP II is in a unique position to be able to support deliveries of capacity, energy and ancillary services to the constricted South Coast Basin without further degradation of the Los Angeles Basin air shed, or need for the South Coast Air Quality Management District (SCAQMD) Priority Reserve banked emission reduction credits.

Moreover, the BEP II was originally permitted with the project utilizing two Siemens Westinghouse V84.3a 170 MW turbines which are no longer commercially available. The CEC is currently processing the BEP II Amendment which would replace the permitted turbines with Siemens SGT6-5000F turbines which are more efficient, provide additional capacity and fast start capability. This modification will reduce start times and corresponding start up emissions, as well as allow the BEP II to have a more flexible and dispatchable operating profile which will include faster ramping rates, larger dispatchable load following range with lower emissions, quicker cycle times between unit starts and stops, all with more efficient operation over the entire range of operation.

II. A SUBSTANTIAL AMOUNT OF TIME, RESOURCES, AND EFFORT HAS BEEN SPENT PROCESSING THE BEP II AFC, THE BEP II AMENDMENT, AND WORKING THROUGH VARIOUS TRANSMISSION ENDEAVORS

The original BEP II AFC permitting endeavor was thorough. CEC Staff members, Caithness and all interested parties spent a substantial amount of time, resources and effort in analyzing and eventually permitting the BEP II. As of now Caithness and members of CEC compliance Staff have been working for the better part of 2009 and all of 2010, to perfect and update the analysis of the BEP II in an effort to modify the permitted turbine technology, permit a modified point of interconnection, and incorporate fast start technology. Staff, Caithness, and numerous other government agencies would be forced to undergo the entire permitting process anew on an already graded, mitigated and completed enclosed site. In addition, Caithness would lose their long standing CAISO queue. Moreover, under the Background portion of this Petition, the commitment and diligence of Caithness to fully permit, construct and operate the BEP II is shown through the seven (7) year interconnection process and the aggressiveness in which Caithness bids into past and recent utility solicitations.

**III. THIS PETITION FOR EXTENSION OF THE CONSTRUCTION DEADLINE IS
SUBMITTED IN ACCORDANCE WITH THE CEC RULES OF PRACTICE AND
PROCEDURE**

Finally, in accordance with Section 1769 of the California Energy Commission's (CEC) Rules of Practice and Procedure should the CEC find there is good cause to approve the BEP II *Petition for the Extension of the Construction Deadline* it will not result in impacts different than analyzed in the original Decision, and the BEP II will continue to comply with all applicable Laws, Ordinances, Regulations and Standards (LORS). A list of all property owners located within 1,000 feet of the BEP II site is attached to this Petition.

CONCLUSION

Caithness through perpetually bidding aggressively in numerous previous and recent utility solicitations, as well as the substantial amount of effort the CEC Staff members, Project Owner, and other governmental agencies have contributed to the permitting of the BEP II establishes good cause for the limited one (1) year *Petition for the Extension of the Construction Deadline* for the BEP II.



Counsel to Caithness Blythe II, LLC
David L. Wiseman

ATTACHMENT 1

List of Property Owners within 1,000 Feet of the BEP II Project Site

Assessor Parcel Number	Owner	Mailing Address	
824-101-016	Sun World Intl. Inc.	P.O. Box 80298	Bakersfield, CA 93380
824-101-008	USA 824	US Dept of Interior 1849 C Street	Washington DC 21401
824-101-009	USA 824	US Dept of Interior 1849 C Street	Washington DC 21401
824-101-015	Sun World Intl. Inc.	P.O. Box 80298	Bakersfield, CA 93380
824-102-023	Sun World Intl. Inc.	P.O. Box 80298	Bakersfield, CA 93380
824-102-027	Sun World Intl. Inc.	P.O. Box 80298	Bakersfield, CA 93380
824-102-020	Sun World Intl. Inc.	P.O. Box 80298	Bakersfield, CA 93380
824-102-026	Sun World Intl. Inc.	P.O. Box 80298	Bakersfield, CA 93380
824-102-025	Sun World Intl. Inc.	P.O. Box 80298	Bakersfield, CA 93380
824-080-003	Sun World Intl. Inc.	P.O. Box 80298	Bakersfield, CA 93380
824-080-004	County of Riverside	3525 14th Street	Riverside, CA 92501
824-080-005	Sun World Intl. Inc.	P.O. Box 80298	Bakersfield, CA 93380
821-110-004	Sun World Intl. Inc.	P.O. Box 80298	Bakersfield, CA 93380
821-120-028	Sun World Intl. Inc.	P.O. Box 80298	Bakersfield, CA 93380
821-120-038	Sun World Intl. Inc.	P.O. Box 80298	Bakersfield, CA 93380
824-101-007	County of Riverside	3133 7th Street	Riverside, CA 92501
824-090-028	Sun World Intl. Inc.	P.O. Box 80298	Bakersfield, CA 93380