

CALIFORNIA ENERGY COMMISSION

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SACRAMENTO, CA 95814-5512
WWW.ENERGY.CA.GOV



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02-AFC-1C	

DATE	NOV 01 2010
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DATE: November 1, 2010

TO: Interested Parties

FROM: Christina Snow, Compliance Unit

**SUBJECT: Blythe Energy Project Phase II (02-AFC-1C)
Staff Analysis of Proposed Extension of Construction**

On October 29, 2010, Caithness Blythe II, LLC filed a petition with the California Energy Commission (Energy Commission) to extend the construction commencement date for the Blythe Energy Project Phase II (BEP II) by one year. The extension would revise the deadline for the start of construction from December 14, 2010 to December 14, 2011. Staff has analyzed this proposed change and a copy is enclosed for your information and review. The analysis can also be found on-line at:

<http://www.energy.ca.gov/sitingcases/blythe2/compliance/index.html>.

The 520 megawatt BEP II was certified by the California Energy Commission in December 2005. The facility has not been constructed and currently has an amendment in process that proposes to revise the point of interconnection, update the permitted turbines and incorporate fast-start technology. The BEP II site is located on an approximately 76-acre site immediately adjacent to the operational Blythe Energy Project (BEP I) within the City of Blythe, approximately five miles west of the center of the City.

This proposed extension was submitted to prevent the BEP II project license from expiring on December 14, 2010. Initially the request to extend the deadline of construction was included in their amendment that was submitted on October 23, 2009 (revised on January 4, 2010). Staff is still in the process of analyzing the amendment and the applicant has submitted a separate extension request to avoid the expiration of this license.

Energy Commission staff reviewed the petition and assessed the impacts of this proposal on environmental quality, public health and safety. It is staff's opinion that the project will remain in compliance with applicable laws, ordinances, regulations, and standards, and that the proposed extension will not result in a significant adverse direct or cumulative impact to the environment (Title 20, California Code of Regulations, Section 1769).

The amendment petition and staff's analysis have been posted on the Energy Commission's webpage at <http://www.energy.ca.gov/sitingcases/blythe2/compliance/index.html>. The Energy Commission's Order (if approved) will also be posted on the webpage. Energy Commission staff intends to recommend approval of the petition to extend the commencement of construction at the December 1, 2010 Business Meeting of the Energy Commission.

Interested Parties Letter with Staff Analysis

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If you have comments on this proposed modification, please submit written comments by 9 A.M. on December 1, 2010.

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Comments and questions may be submitted by fax to (916) 654-3882, or by e-mail to csnow@energy.state.ca.us.

For further information on how to participate in this proceeding, please contact the Energy Commission Public Adviser's Office, at (916) 654-4489, or toll free in California at (800) 822-6228, or by e-mail at publicadviser@energy.state.ca.us. News media inquiries should be directed to the Energy Commission Media Office at (916) 654-4989, or by e-mail at mediaoffice@energy.state.ca.us.

Enclosure

BLYTHE ENERGY PROJECT PHASE II PROJECT (02-AFC-1C)

Petition to Amend to Extend Commencement of Construction

INTRODUCTION

In February of 2002, Caithness Blythe II, LLC (Caithness) filed an application for certification (AFC) with the California Energy Commission 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. On October 23, 2009 (Caithness) filed a petition to amend the Blythe Energy Project, Phase II (BEP II). The BEP II was certified on December 14, 2005 but has not been constructed. In the original petition, the project owner also requested to extend its start of construction deadline by three years, from December 14, 2010 to December 14, 2013. The 520-megawatt (MW) combined-cycle project site is located within the city of Blythe, approximately five miles west of the center of the city. The BEP II site boundary is located on an approximately 76 acre site immediately adjacent to the operational Blythe Energy Project (BEP I), owned and operated by a subsidiary of FPL Energy.

On January 4, 2010, Caithness Blythe II, LLC (Caithness) filed a petition to modify its petition to amend the Blythe Energy Project, Phase II (BEP II).

Staff has not completed analysis of the submitted amendment and is still in the process of obtaining additional information from the applicant. Due to the current status, a separate extension request for the commencement of construction was submitted on October 29, 2010 to avoid the expiration of the current license. This extension requests to extend the current December 14, 2010 deadline for construction to December 14, 2011.

LAWS, ORDINANCES, REGULATION, AND STANDARDS (LORS) - COMPLIANCE

Energy Commission Staff has reviewed the petition for potential environmental effects and consistency with applicable LORS. Based on this review, staff determined that there are no new or changed LORS that would be applicable to the proposed extension request.

SETTING

The BEP II site is located on 76 acres within the expanded BEP I site, which totals 152 acres, in the City of Blythe in Riverside County. The BEP II project is located approximately five miles west of the center of the City of Blythe. The site is one mile east of the Blythe Airport, owned by the County of Riverside and operated by the City of Blythe. The topography of the project site is flat. The BEP sites (BEP I and II) are bounded by the south by Hobson Way and on the east by Buck Boulevard.

ANALYSIS

The original AFC analyzed the impacts associated with the proposed project and appropriate mitigation measures were incorporated into the Conditions of Certification to mitigate all impacts to less than significant levels. Staff is currently still analyzing a major amendment that was submitted in October 2009 that proposes to modify the permitted turbine technology, permit a modified point of interconnection, and incorporate fast start technology.

In consideration of the time, effort and resources that the Energy Commission 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 that will be needed to complete their analysis of the amendment and begin construction.

Caithness, LLC (applicant) has provided information that indicates they have 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. The applicant has spent considerable time and money to complete a Large Generator Interconnection Agreement (LGIA) and revise the interconnection and network upgrades. 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. 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 process. To date the DSWTP is a fully permitted 500 kV transmission line which extends from the Keim Substation to Devers.

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 LGIA, which was issued on or around January 25, 2010, was subsequently executed by both Caithness and the CAISO. Now that this agreement is moving forward, the applicant will continue to work at obtaining a Power Purchase Agreement (PPA).

The current request is to extend the start of construction deadline to enable the staff and applicant to process the current amendment and begin construction without having

the BEP II license expire. Energy Commission staff reviewed the original AFC and current request to extend the commencement of construction and has determined that the extension would not result in impacts different than those previously analyzed for the BEP II project.

CONCLUSIONS AND RECOMMENDATIONS

The project would continue to comply with applicable laws, ordinances, regulations, and standards. The applicant and staff have spent considerable time and effort reviewing the current amendment and staff recommends the extension of the construction deadline to avoid the expiration of the BEP II license. This will ensure that the current amendment request can proceed through the amendment process.

There are no new proposed conditions of certification.

REFERENCES

Petition to Amend – Caithness Blythe II, LLC’s Petition for Extension of the Construction Deadline, October 29, 2010.

Petition to Modify – Caithness Blythe II, LLC’s Petition to Modify, January 4, 2010.

Petition to Amend – Caithness Blythe Energy Project Phase II, October 23, 2009.

Application For Certification – Caithness Blythe Energy Project Phase II, December 2005.