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DATE	<u>OCT 12 2011</u>
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October 12, 2011

California Energy Commission
Dockets Unit
1516 Ninth Street
Sacramento, CA 95814-5512

Subject: **CAITHNESS BLYTHE II, LLC'S PETITION FOR EXTENSION OF THE
CONSTRUCTION DEADLINE
BLYTHE ENERGY PROJECT PHASE II AMENDMENT
DOCKET NO. (02-AFC-1C)**

Enclosed for filing with the California Energy Commission are 1 (one) original and 1 (one) copy of **CAITHNESS BLYTHE II, LLC'S PETITION FOR EXTENSION OF THE CONSTRUCTION DEADLINE**, for the Blythe Energy Project Phase II Amendment (02-AFC-1C).

Sincerely,



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STATE OF CALIFORNIA

Energy Resources
Conservation and Development Commission

In the Matter of:

**BLYTHE ENERGY PROJECT
PHASE II AMENDMENT**

DOCKET NO: (02-AFC-1C)

**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 five (5) year extension of the deadline for the commencement of construction for the Blythe Energy Project Phase II (BEP II).

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 (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) years 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. The current BEP II Amendment modified the permitted turbine technology, due to the commercial unavailability of the previously permitted turbines, as well as modifying the point of delivery. On October 29, 2010, Caithness requested, and was granted, a one (1) year extension in order to continue the Amendment proceeding. CEC Staff is now in the process of finalizing the BEP II Amendment review. In utilizing the past year to carefully review the BEP II Amendment the permit is now set to expire on December 14, of 2012. As a result Caithness requests a five (5) year extension for good cause shown.

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, represented a significant expenditure of time and money by Caithness as well as a multitude of government agencies. Until that agreement was finalized, the path to perfecting a Power Purchase Agreement (PPA) was unclear, and the assigned interconnection and network upgrade costs varied dramatically throughout the process serving then, as a deterrent to making the BEP II a viable option for utilities seeking the power. At this time the LGIA is currently being revised and is expected to be issued by the CAISO, to Caithness, in November of this year. The revised LGIA will provide for a Commercial Operation Date (COD) several years later than the original COD, but no earlier than spring of 2016. The current point of delivery, the Colorado River Substation (CRS), is currently under construction and is scheduled to be completed by the end of 2013. A 500 kV breaker position is reserved at the CRS for the eventual delivery of the BEP II. Once the CRS is completed, the BEP II may then move forward with interconnection

facilities that will take an additional 24-30 months to complete. At that point the BEP II will need to obtain a PPA to begin construction on those facilities. If a PPA is not in place, and approved by the California Public Utilities Commission by the end of 2013, then the In Service Date for the project will need to slide to allow construction of the interconnection facilities before the project can meet a COD. A three year extension will not provide enough time for the BEP II to effectively re-bid the project, secure a PPA, and meet the aforementioned on-line dates.

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 PPA despite aggressively participating in utility procurement RFO's. Since the 2008 solicitation, SCE nor any of the neighboring utilities, have issued a long term, (ten or plus years) All-Source RFP. If an All-Source RFP were issued next year, the earliest achievable on-line date for the Project would be the spring of 2016, with a start of construction date in 2014. No All-Source RFP's have been scheduled at this time for the coming year. However, major utilities have indicated a need for fast-start gas fired resources as early as 2017. A five (5) year extension would allow the BEP II to be responsive to RFP requirements that would allow for delivery as late as 2018. 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. CEC Staff now having received the required information from Caithness, is currently in the process of finalizing 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 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 renewable build-out in the Blythe area, and particularly at CRS, with signed power purchase agreements and over 9000 MWs of interconnection filings, represents potentially the largest single concentration of solar power facilities in the world. As the solar build-out moves forward over the next few years, fast-start gas fired resources will be required to maintain system grid integrity. Blythe II is positioned to meet those system requirements. Gridlock at the CAISO regarding interconnections, permitting hurdles and locking down PPA's has pushed out the construction of solar facilities. As solar facilities are pushed out, the need for the gas fired facilities has pushed out as well. A five (5) year extension will keep Blythe II in the position to be responsive to the needs of the CAISO and local utilities.

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 the CEC compliance Staff have been working for the better part of the last few years, 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 completely 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 CEC's 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 differently than analyzed in the original Decision, or the Amendment. 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 five (5) year Petition for the Extension of the Construction Deadline for the BEP II.

Dated: October 12, 2011



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