In the Matter of: Calpine, the Owners and Operators of KING CITY ENERGY CENTER PROJECT) KING CITY COGENERATION PROJECT)

Docket No. 01-EP-6C; 85-AFC-5C Order No. 03-0305-01(c)

ORDER APPROVING a Petition to Amend Quarterly and Annual NOx Air Quality Conditions of Certification

Calpine, the owner/operator of the King City Energy Center (KCEC) Emergency Peaking Project, and the King City Cogeneration Project has requested to modify various Air Quality Conditions of Certification to reflect an increase in the quarterly and annual NOx emissions from the combined sources at both sites. King City Energy Center, LLC will increase their NOx offsets accordingly. This action will allow the project more operational flexibility.

The Energy Commission Decision of April 11, 2001 adopted by reference all the Monterey Bay Unified Air Pollution Control District's (MBUAPCD) Air Quality Conditions as presented in the Determination of Compliance (DOC).

The Energy Commission approves KCEC's proposed amendment and the proposed modified conditions in accordance with Title 20, Section 1769 (a) (3) of the California Code of Regulations.

COMMISSION FINDINGS

Based on staff’s analysis, the Energy Commission concludes that the proposed changes will not result in any significant impact to public health and safety, or the environment. The Energy Commission finds that:

1. The modification will be beneficial to the project owner in that it will allow operational flexibility needed to obtain financing and met DWR contract provisions.

2. There have been substantial changes in the financial circumstances of Calpine since the Commission certified the Emergency Peaker. These changes necessitate the refinancing of the Emergency Peaker, which in turn is requiring operational flexibility of the plant.

3. There will be no new or additional unmitigated significant environmental impacts associated with the proposed change due to the additional 28.24 tons of NOx offsets the project owner will surrender.

4. The facility will remain in compliance with all applicable laws, ordinances, regulations, and standards.
CONCLUSION AND ORDER

As a result of this amendment the MBUAPCD added a new condition, as well as changing an existing condition in the permits they issued to the King City Energy Center and King City Cogeneration Project.

The California Energy Commission hereby adopts the following changes to the King City Energy Center and the King City Cogeneration Project Decisions:

Changes to Air Quality Conditions of Certification:

(Deleted language is shown as strike through. New language is shown as bold and underlined.)

1. The King City Energy Center shall provide 28.24 tons of NOx offsets to the District prior to District issuance of the Permit to Operate allowing increased quarterly NOx emission caps as specified in Condition 19.

19. Cumulative mass emissions, including emissions generated during Start-ups and Shutdowns, from all equipment at the King City Energy Center, LLC and Calpine King City Cogen, LLC shall not exceed the following quarterly and annual limits:

<table>
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<th>Pollutant</th>
<th>1st quarter</th>
<th>2nd quarter</th>
<th>3rd quarter</th>
<th>4th quarter</th>
<th>annual</th>
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<td>NOx (as NO2)</td>
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IT IS SO ORDERED.

STATE OF CALIFORNIA
ENERGY RESOURCES
CONSERVATION AND
DEVELOPMENT COMMISSION

Date: March 5, 2003

WILLIAM J. KEESE
Chairman