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December 21, 2018

Mr. Eric Veerkamp
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Siting, Transmission and
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RE: King City Cogeneration (85-AFC-05C): Petition for Modification to Remove Engineering Condition of Certification-1

Dear Mr. Veerkamp:

In accordance with Section 1769 of the California Energy Commission's regulations, enclosed is a Petition for Modification to remove Engineering Condition of Certification-1 ("Petition") for the King City Cogeneration facility. Calpine King City CoGen, LLC requests that the California Energy Commission consider approval of this Petition at the January 2019 Business Meeting.

If you have any questions, please contact either Barbara McBride at (925) 570-0849 or Barbara.McBride@calpine.com or me.

Sincerely,

/s/

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King City Cogeneration

(85-AFC-05C)

Petition for Modification To Remove Engineering Condition of Certification-1

Submitted by
Calpine King City CoGen, LLC.



December 21, 2018

KING CITY COGENERATION
85-AFC-05C
PETITION FOR MODIFICATION

Pursuant to Section 1769 of the California Energy Commission's Siting Regulations, Calpine King City CoGen, LLC ("Project Owner") hereby submits this *Petition for Modification to Remove Engineering Condition of Certification-1* (the "Petition") for the King City Cogeneration facility ("KCC" or "Project"). The Project Owner requests that the California Energy Commission ("Commission") consider approval of this Petition at the January 2019 Business Meeting.

As set forth below, the modification requested herein will simply remove a Condition, Engineering Condition of Certification-1 ("COC-1"), which is now obsolete and unnecessary due to changes in California law and regulation and factual circumstances since the facility was certified. At the time the facility was certified, the Integrated Assessment of Need was performed to protect an investor owned utility's ("IOU's") captive ratepayers from having to pay for facilities that were not needed to serve ratepayers.

Senate Bill 110 (Stats. 1999, ch. 581) repealed former Public Resources Code Sections 25523(f) and 25524(a), removing the Integrated Assessment of Need provisions. Because COC-1 is no longer applicable or necessary to ensure KCC's compliance with LORS, this Petition requests removal of this outdated condition.

The proposed modification will not change the KCC's project design, operation, or performance. The removal of COC-1 will not result in any physical changes to the project, will not have a significant effect on the environment and will not affect the Project's ability to continue to comply with applicable laws, ordinances, regulations, or standards ("LORS"). Instead, the proposed modification will clarify that LORS do not require the facility to operate as a cogeneration facility when its contract with its thermal host expires.

I. Section 1769(a)(1)(A): Description of the proposed modifications, including new language for affected conditions.

The Petition requests removal of COC-1 from the CEC's certification of the KCC. COC-1 provides that the Project Owner "shall operate the facility as a cogeneration system in accordance with the definition of cogeneration contained in PRC Section 25134 (a)(b) and Title 18 CFR, Sections 292.205(a)(1) and (a)(2)(i)(B)."¹

No other conditions are affected by this Petition, and the Project Owner does not propose any new language for the affected condition.

¹ See, Commission Decision, Application for Certification for the Basic American Foods' American 1 Cogeneration Project (Docket No. 85-AFC-5) (July 8, 1987), p. 60.

II. Section 1769(a)(1)(B): Discussion of the necessity for the modifications.

The proposed modification will remove the requirement that the facility produce thermal energy for a steam host in addition to electrical energy. The proposed modification is necessary to accommodate the facility's intended operations in 2019 when its contract with its thermal host ends.

III. Section 1769(a)(1)(C): Discussion of whether the modification is based on information that was known by the petitioner during the certification proceeding.

The proposed modification is not based upon information that was known during the certification proceeding for the Project. COC-1 was imposed on the original applicant to ensure that the facility met specific efficiency requirements as a cogeneration facility, in addition to operational requirements as a qualifying facility under its power purchase agreement. With the Legislature's repeal of the Integrated Assessment of Need and the expiration of the power purchase agreement that was the subject of the Commission's Final Decision, COC-1 is no longer necessary.

IV. Section 1769(a)(1)(D): Discussion of whether the modification is based on new information that changes or undermines the assumptions, rationale, findings, or other bases of the final decision, and explanation of why the change should be permitted.

The proposed modification would remove the restriction that the facility operates as a cogeneration system. This would affect findings in the Final Decision, including Ordering Paragraph 2 of the Commission's Adoption Order, stating that the facility would operate within the statutory definition of "cogeneration". This change should be permitted because subsequent to the permitting of the KCC, the Legislature amended the Warren-Alquist Act removing the requirement that the CEC conduct an Integrated Assessment of Need for Commission certified facilities. Further, this change should be permitted because COC-1 was intended to reflect the facility's requirement to operate under the power purchase agreement as a cogeneration facility, which has since terminated. The proposed modification would clarify that the KCC may still be available to meet reliability and system needs without requiring that the facility also provide thermal energy to a steam host.

V. Section 1769(a)(1)(E): Analysis of the impacts the modification may have on the environment, if any, and proposed measures to mitigate any potentially significant adverse impacts.

The proposed modification would not have any impacts on the environment. There would be no physical changes to the facility. Existing equipment that is used to direct steam to the steam host would be closed, i.e., valves and other systems, to prevent steam flow to the thermal host at the end of the facility's service to such steam host.

Significantly, after the facility is no longer operating as a cogeneration unit, the Project will continue to operate in compliance within all permitted emissions limits. Noise levels and water use would not increase, there would be no additional ground disturbance, and there would be no physical changes to the appearance of the Project.

VI. Section 1769(a)(1)(F): Discussion of the impact of the modification on the facility's ability to comply with applicable laws, ordinances, regulations, and standards.

The proposed modification will not impact the Project's ability to comply with all applicable LORS. The project is already designed and constructed to operate with and without a steam host receiving thermal energy. The project will continue to operate within existing, permitted parameters.

VII. Section 1769(a)(1)(G): Discussion of how the modification potentially affects the public.

The proposed modification will not adversely affect the public. No changes to permitted emissions limits are proposed. The modification will not negatively impact air quality or public health. Therefore, there are no potentially significant adverse effects on property owners that will result from the proposed modification.

VIII. Section 1769(a)(1)(H): List of property owners potentially affected by the modification, if any.

The proposed modification will have no potentially significant environmental impacts and will be in compliance with applicable LORS. There are no physical changes to the facility proposed, and no changes to permitted emissions limits are proposed. Therefore, no property owners will be affected by the modification, and a list is not necessary as part of this Petition.

IX. Section 1769(a)(1)(I): Discussion of the potential effect, if any, on nearby property owners, the public and the parties in the application proceeding.

The proposed modification will have no potentially significant environmental effects and will be in compliance with all applicable LORS. Therefore, the proposed changes will have no adverse impacts on property owners, the public, or any parties in the application proceeding.