

DOCKETED

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Project Title:	Palmdale Energy Project (Formerly Palmdale Hybrid Power Plant) - Compliance
TN #:	217377
Document Title:	Palmdale Energy Project, Cover Letter and Staff Analysis of 2nd Petition to Extend Construction Deadline
Description:	Palmdale Energy Project (PEP), Staff Analysis of 2nd Petition to Extend Construction Deadline December 31, 2017.
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CALIFORNIA ENERGY COMMISSION

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DATE: May 1, 2017

TO: Interested Parties

FROM: Eric Veerkamp, Compliance Project Manager

**SUBJECT: Palmdale Energy Project (08-AFC-9C)
Staff Analysis of Palmdale Energy, LLC.
2nd Petition to Extend Deadline to Commence Construction**

On April 26, 2017, Palmdale Energy, LLC filed a petition with the California Energy Commission (Energy Commission) requesting to extend the deadline for the commencement of construction for the Palmdale Energy Project (PEP). The petition requested extending the deadline until August 1, 2017; however, in order to ensure ample time and minimize the need for subsequent extension requests, Energy Commission staff (staff) is recommending an extension until December 31, 2017.

Palmdale Energy, LLC received approval at the July 13, 2016 Energy Commission Business Meeting for a petition filed on May 18, 2016, requesting to extend the construction deadline from August 10, 2016 to June 1, 2017. This is the second petition to extend the deadline for the commencement of construction.

An existing Petition to Amend (PTA), submitted on July 20, 2015, proposes to update the Palmdale Energy Project's (PEP) technology and design. The project, then called Palmdale Hybrid Power Project, was licensed on August 10, 2011, as a nominal 570 megawatt (MW) hybrid facility utilizing combined-cycle and solar trough technologies; however, the project was never constructed.

The proposed PEP is a natural gas-fired, air-cooled, combined-cycle, 645-MW net electrical generating facility, located within the footprint of the original project, in the northernmost portion of the city of Palmdale, approximately 60 miles north of downtown Los Angeles.

Staff has prepared an analysis of this second petition to extend the deadline to commence construction that is attached to this notice. It is staff's opinion that extending the license deadline to allow sufficient time for the Energy Commission to issue a final decision on the PTA will take substantially less time, effort, and resources than that required to process a new Application for Certification. Staff intends to recommend approval of the petition at the May 10, 2017 Business Meeting of the Energy Commission.

The Energy Commission's webpage for this facility, <http://www.energy.ca.gov/sitingcases/palmdale/index.html> has a link to the petition and the Staff Analysis on the right side of the webpage in the box labeled "Compliance Proceeding." Click on the "Documents for this Proceeding (Docket Log)" option. After the Commission Decision, the Energy Commission's Order regarding this petition will also be available from the same webpage.

This notice is being mailed to the Energy Commission's list of interested parties and property owners adjacent to the facility site. It is also being e-mailed to the facility listserv. The listserv is an automated Energy Commission e-mail system by which information about this facility is e-mailed to parties who have subscribed. To subscribe, go to the Energy Commission's webpage for this facility, cited above, scroll down the right side of the project webpage to the box labeled "Subscribe," and provide the requested contact information.

Any person may comment on the Staff Analysis. Those who wish to comment on the analysis are asked to submit their comments by the close of business on May 9, 2017. To use the Energy Commission's electronic commenting feature, go to the Energy Commission's webpage for this facility, cited above, click on the "Submit e-Comment" link, and follow the instructions in the on-line form. Be sure to include the facility name (Palmdale Energy Project) in your comments. Once submitted, you will receive an e-mail with a link to them after the Energy Commission Dockets Unit reviews to ensure the comments meet the requirements for submittal.

Written comments may also be mailed or hand-delivered to:

California Energy Commission
Dockets Unit, MS-4
Docket No. 08-AFC-9C
1516 Ninth Street
Sacramento, CA 95814-5512

All comments and materials filed with the Dockets Unit will be added to the facility Docket Log and become publically accessible on the Energy Commission's webpage for the Palmdale Energy Project.

If you have questions about this notice, please contact Eric Veerkamp, Compliance Project Manager, at (916) 654-4295 or by fax to (916) 654-3882, or via e-mail to eric.veerkamp@energy.ca.gov.

For information on participating in the Energy Commission's review of the petition, please call Alana Mathews, Public Adviser, at (800) 822-6228 (toll-free in California) or send your e-mail to publicadviser@energy.ca.gov. News media inquiries should be directed to the Energy Commission Media Office at (916) 654-4989, or by e-mail to mediaoffice@energy.ca.gov.

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PALMDALE ENERGY PROJECT (08-AFC-9C)
2nd Petition to Extend the Deadline to Commence Construction
STAFF ANALYSIS
Eric Veerkamp

INTRODUCTION

On May 18, 2016, Palmdale Energy, LLC filed a petition to extend the commencement of construction deadline for approximately 9 months, from August 10, 2016 to June 1, 2017 for the Palmdale Energy Project (PEP) (TN211546). Palmdale Energy, LLC (Owner Operator) sought an extension of the deadline to commence construction for the sole purpose of allowing the California Energy Commission (Energy Commission) sufficient time to issue a Final Decision on the July 20, 2015 Petition to Amend (PTA) (TN205394). The Energy Commission granted an extension to June 1, 2017 (TN212332). Palmdale Energy, LLC requests a second extension for essentially the same reasons (TN217298).

BACKGROUND

The project was certified by the Energy Commission on August 10, 2011, and was originally licensed as a nominal 570 megawatt (MW) hybrid facility utilizing combined cycle and solar trough technologies; however, the facility was never constructed. The project site is located approximately 60 miles north of downtown Los Angeles in the northernmost portion of the city of Palmdale, CA. The site address is 950 East Avenue M. The Energy Commission adopted an order approving a transfer of ownership from the city of Palmdale to Palmdale Energy, LLC, at the Energy Commission Business Meeting held on June 10, 2015. (TN205022).

As set forth in the PTA, the proposed PEP consists of a 700 MW (nominal capacity of 654 MW's) two-on-one natural gas-fired combined cycle generating station, to be built on a smaller footprint within the area of the original project.

ANALYSIS

The deadline for starting construction of projects licensed by the Energy Commission is specified in Title 20, California Code of Regulations, section 1720.3 provides as follows:

Unless a shorter deadline is established pursuant to Section 25534, the deadline for commencement of construction shall be five years after the effective date of the decision. Prior to the deadline, the applicant may request, and the commission may order, an extension of the deadline for good cause.

While good cause is not defined within the Public Resources Code or in the Energy Commission's regulations, the following are factors that the Energy Commission takes into consideration in determining whether good cause has been shown:

- Whether the project owner was diligent in seeking to begin construction, and in seeking the extension;
- Whether factors beyond the project owner's control prevented success; and
- A comparison of (a) the amount of time and resources that would have to be spent by the project owner, the Energy Commission and interested persons in processing any amendments to the license if the extension is granted; with (b) the amount of time and resources that would have to be spent in processing a new Application for Certification (AFC), if the extension is denied.

Staff reviewed the extension request filed by Palmdale Energy, LLC on April 26, 2017, which would extend the construction deadline by 2 months until August 1, 2017. However, in order to ensure ample time for the Energy Commission to render a Final Decision and to minimize the need for subsequent extension requests, staff is recommending a 7 month extension until December 31, 2017. The evidentiary record was closed March 22, 2017 (TN 216723) and although it was contemplated that the Energy Commission would complete its review by June 1, 2017, the process has taken additional time due to factors not entirely foreseeable or within Palmdale's control. Extending the license deadline again appears to be supported by many of the same factors discussed above that supported the first extension request. The staff's analysis follows:

Has the project owner been diligent in seeking to begin construction and in seeking the extension?

Since acquiring this project in 2015, the current owner, Palmdale Energy, LLC has been working with its consultants and engineers to submit this project for review through the PTA and has been working with staff towards reaching a decision. Palmdale Energy, LLC personnel has met with staff on a number of occasions to work through outstanding issues to bring this efficient combined cycle project to market that would provide multiple operating profiles, and help bolster the local economy.

Since acquiring the project, Palmdale Energy, LLC, has worked diligently to develop the project as proposed in the 2015 PTA. Staff is recommending a 7 month extension, until December 31, 2017, rather than the 2 month extension being requested, in order to allow for sufficient time for the Committee to complete the proceeding and for the Energy Commission to render a Final Decision on the PEP.

Whether factors beyond the project owner’s control have prevented success.

Palmdale Energy, LLC, acquired the project from the city of Palmdale on April 30, 2015, approximately 4 years into the project’s current five year construction deadline. As discussed above, they have worked diligently to modify the project to meet current market and environmental conditions and filed the PTA with some time remaining for Energy Commission consideration. Purchase negotiations, and changing market factors, along with others considerations, necessitated the filing of an amendment, adding to a significant delay in being able to proceed with construction.

A comparison of the amount of time and resources that would have to be spent in processing any amendments to the license if the extension is granted with the amount of time and resources that would be spent in processing a new AFC if the extension were denied.

Staff is actively reviewing the PTA and published the Final Staff Assessment on September 12, 2017. Significant staff time and resources have already been expended on the amendment. The Committee is nearing publishing the Presiding Members Proposed Decision, but is unable to reach a Final Decision on the PTA by June 1, 2017.

If the extension is disallowed and Palmdale Energy, LLC were required to file a new AFC, staff expects the process to take approximately one year from being declared data adequate. The project would be required to undergo a data adequacy determination that would not otherwise be necessary, and staff would be required to repeat analyses conducted for the original project that would not otherwise require repeating, but for the fact that staff would not be able to rely on previously conducted, and still valid, environmental analyses.

Extending the license deadline to allow for a final decision on the PTA will take substantially less time, effort, and resources than that required to process a new AFC.

CONCLUSION

Good cause exists to extend the deadline to commence construction for the PEP an additional 7 months from June 1, 2017, to December 31, 2017. Staff recommends approval of the petition to extend the start of construction.