

DOCKETED

Docket Number:	08-AFC-09C
Project Title:	Palmdale Energy Project (Formerly Palmdale Hybrid Power Plant) - Compliance
TN #:	211844
Document Title:	Staff Analysis of Petition to extend Construction Deadline
Description:	Cover letter and staff analysis of the request to extend the construction deadline for the Palmdale Energy Project (PEP), 08-AFC-9C
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Organization:	California Energy Commission
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CALIFORNIA ENERGY COMMISSION

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SACRAMENTO, CA 95814-5512
www.energy.ca.gov



DATE: June 16, 2016

TO: Interested Parties

FROM: Eric Veerkamp, Compliance Project Manager

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

On May 18, 2016, Palmdale Energy, LLC filed a petition to extend the deadline to commence construction for approximately 9 months, from August 10, 2016 to June 1, 2017 for the Palmdale Energy Project (PEP)¹ (TN211546). An existing Petition to Amend (PTA), submitted on July 20, 2015, proposes to update the PEP's technology and design. The project was licensed on August 10, 2011, as a nominal 570 megawatt 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.

California Energy Commission staff (staff) have prepared an analysis of this 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, which 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 to Extend at the July 13, 2016 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.

¹ The name of the project as originally certified by the Energy Commission was the Palmdale Hybrid Power Project. The Petition to Amend submitted in May 2016 also requests that the name of the project be changed to the Palmdale Energy Project.

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 within 14 days of the date of this notice. 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.

Mail List: 7318
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PALMDALE ENERGY PROJECT (08-AFC-9C)
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 seeks an extension of the deadline to commence construction for the sole purpose of allowing the Energy Commission sufficient time to issue a Final Decision on the July 20, 2015 Petition to Amend (PTA) (TN205394).

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. 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; however, the facility was never constructed.

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 megawatt (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. Primary equipment includes two Siemens SGT6-5000F natural gas-fired combustion turbine-generators (CTGs) rated at 220 MW's each, two heat recovery steam generators, one steam turbine-generator rated at 232 MW's, and one auxiliary boiler. The proposed project also includes the use of an Air Cooled Condenser, a turbine inlet evaporative cooler for the CTG's, an operations building and auxiliary equipment.

ANALYSIS

The deadline for start of 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 AFC, if the extension is denied.

Staff reviewed the petition filed by Palmdale Energy, LLC on May 18, 2016 requesting an approximately 9-month extension of the construction deadline, and concludes that the project owner has demonstrated the requisite good cause justifying an extension to the deadline to commence construction.

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. The requested extension of 9 months is not excessive and appears to be a reasonable amount of time to allow for the Energy Commission to issue 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 Preliminary Staff Assessment on March 23, 2016. Staff is working to complete its review in July 2016, after which a few more months would be required for a final Energy Commission determination. Significant staff time and resources have already been expended on the amendment. The amendment involves a slightly smaller footprint on the same previously approved project site, a modification of the general arrangement and the technology (replacement of the gas turbine, the steam turbine, the auxiliary boiler, and a new dry cooling component, among other improvements. While some of these changes involve switching to new pieces of equipment, the changes are similar enough to the project as licensed to fit within the amendment process. Staff time and effort is being saved by being able to rely on portions of the previous decision where the underlying environmental conditions have not changed and the project modifications do not result in changes in certain technical sub-areas.

If the extension is disallowed and Palmdale Energy, LLC were required to file a new Application for Certification, 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 Petition to Amend, and provide time for the project owner to secure an engineering, procurement and construction contract and effectively comply with pre-construction conditions of certification will take substantially less time, effort, and resources than that required to process a new Application for Certification.

CONCLUSION

Good cause exists to extend the deadline to commence construction for the PEP an additional 9 months, from August 10, 2016 to June 1, 2017. Staff recommends approval of the petition to extend the start of construction.