

CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5512
www.energy.ca.gov



DATE: March 20, 2019

TO: Interested Parties

FROM: Anwar Ali, Compliance Project Manager

**SUBJECT: King City Cogeneration (85-AFC-05C)
Revised Staff Analysis of Petition for Modification to Remove
Engineering Condition of Certification-1**

On December 21, 2018, Calpine King City CoGen, LLC, filed a petition for modification with the California Energy Commission (Energy Commission) requesting removal of the Engineering Condition of Certification-1 (COC-1) from the Final Decision for the King City Cogeneration facility.

The 130-megawatt Basic American Foods' American 1 Cogeneration Project (Basic) was certified by the Energy Commission in June 1987, and began commercial operation in 1989. In the mid-1990s, Calpine acquired the cogeneration unit of the Basic and renamed it as King City Cogeneration (KCC). The KCC facility currently provides steam to Rava Business Park, Inc. (ultimate successor to Basic) for its processes. The KCC facility is located in King City, Monterey County, California.

The petition for modification was based on the Senate Bill 110 (Stats. 1999, ch. 581), which eliminated the requirement that the Energy Commission perform an Integrated Assessment of Need. The proposed modification would remove the requirement that the facility operate as a gas-fired cogeneration system and 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. The KCC would still be available to meet reliability and system needs without requiring the facility to provide thermal energy to a steam host.

Because this condition of certification is no longer applicable or necessary to ensure KCC's compliance with laws, ordinances, regulations, and standards (LORS), the petition for modification requests removal of this condition.

Energy Commission staff has reviewed the petition pursuant to Title 20, California Code of Regulations, section 1769(a) (Change In Project Design, Operation, or Performance Requirements) and has concluded that removal of COC-1 would not result in a significant impact on the environment, or cause the project to not comply with applicable laws, ordinances, regulations, and standards. Staff intends to recommend approval of the petition at the April 10, 2019 Business Meeting of the Energy Commission.

The Energy Commission's webpage for this facility, http://www.energy.ca.gov/sitingcases/pre1999_page/index.php?xkm=ajdkha2385duhkasd190dsasjd5598fhajkhs, 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. If approved, the Energy Commission's Order approving this petition will also be available from the same webpage.

This letter has been mailed to the Commission's list of interested parties and property owners adjacent to the facility site. It has also been e-mailed to the Siting 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 Commission's webpage for this facility, cited above, scroll down the right side of the project's 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 March 29, 2019. 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 in your comments. Once submitted, the Energy Commission Dockets Unit reviews and approves your comments, and you will receive an e-mail with a link to them.

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

California Energy Commission
Dockets Unit, MS-4
Docket No. **85-AFC-05C**
1516 Ninth Street
Sacramento, CA 95814-5512

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

If you have questions about this notice, please contact Anwar Ali, Compliance Project Manager, at (916) 651-8891, or by fax to (916) 654-3882, or via e-mail at anwar.ali@energy.ca.gov.

For information on participating in the Energy Commission's review of the petition, call Alana Mathews, Public Adviser, at (916) 654-4489 or (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: 719

Listserv: King City Cogeneration

KING CITY COGENERATION PROJECT (85-AFC-05C)
Petition for Modification to Remove Engineering Condition of Certification
EXECUTIVE SUMMARY

Anwar Ali, Ph.D.

INTRODUCTION

On December 21, 2018, Calpine King City CoGen, LLC (Calpine), filed a petition for modification with the California Energy Commission (Energy Commission) requesting removal of the Engineering Condition of Certification-1 (COC-1) from the 1987 Final Decision for the King City Cogeneration (KCC) facility.

The 130-megawatt Basic American Foods' American 1 Cogeneration Project (Basic) was certified by the Energy Commission in June 1987, and began commercial operation in 1989. In mid-1990s, Calpine acquired the cogeneration unit of the Basic and renamed it as King City Cogeneration (KCC). The KCC facility currently provides steam to Rava Business Park, Inc. (ultimate successor to Basic) for its processes. The KCC facility is located in the King City, Monterey County, California.

The petition for modification was necessary because the Senate Bill 110 (Stats. 1999, ch. 581) repealed the requirement that the Energy Commission perform an Integrated Assessment of Need. Because this condition of certification is no longer applicable or necessary to ensure KCC's compliance with laws, ordinances, regulations, and standards (LORS), the petition for modification requests removal of this outdated condition.

The purpose of the Energy Commission's review process is to assess whether the proposed amendment would have a significant impact on the environment or cause the project to not comply with applicable laws, ordinances, regulations, and standards (LORS) (Cal. Code Regs., tit. 20, § 1769).

Energy Commission staff has completed its review of all materials received. The Staff Analysis below is staff's assessment of the project owner's proposal to remove COC-1.

PROJECT LOCATION AND DESCRIPTION

The 130-megawatt natural gas-fired power plant was certified by the Energy Commission in June 1987 and began commercial operation in November 1989. The facility is located in the King City in Monterey County, California.

The project uses groundwater from onsite wells for all industrial purposes including evaporative cooling and steam generation for the steam host. Wastewater consisting primarily of blowdown from the cooling towers is discharged to the King City's Industrial Publicly-Owned Treatment Works for treatment and disposal.

DESCRIPTION OF PROPOSED MODIFICATIONS

Calpine is requesting to remove COC-1. This condition is in the Cogeneration Criteria in the Engineering Analysis section of the June 1987 Final Commission Decision and reads as follows:

Over the lifetime of the project, Basic American Foods (Basic) shall operate the facility as a cogeneration system in accordance with the definition of cogeneration contained in Public Record Code Section 25134(a)(b) and Title 18 CFR, § 292.205(a)(1) and (a)(2)(i)(B).

The proposed modification would remove the requirement that the facility operate as a cogeneration system producing thermal energy for a steam host in addition to electrical energy. The requirement to operate as a cogeneration facility was imposed at a time when provisions of the Warren-Alquist Act (former Pub. Resources Code, §§ 25523 (f) and 25524 (a)) required the Energy Commission to conduct an “integrated assessment of need” prior to certifying a facility. The California State Legislature removed these provisions in 1999.

The proposed modification clarifies that the KCC may still be available to meet reliability and system needs without requiring the facility to provide thermal energy to a steam host.

NECESSITY FOR THE PROPOSED MODIFICATIONS

The proposed modification would remove the restriction that the facility operates as a cogeneration system. This would affect the findings in the 1987 Final Commission Decision stating that the facility would operate within the statutory definition of “cogeneration”. The proposed change in the Final Commission Decision is necessary because subsequent to the permitting of the KCC, the Legislature amended the Warren-Alquist Act removing the requirement that the Energy Commission conduct an Integrated Assessment of Need for Commission certified facilities. Further, this condition was intended to reflect the facility’s requirement to operate under the power purchase agreement as a cogeneration facility, which has since terminated.

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 Final Commission Decision, COC-1 is no longer necessary. The proposed modification is consistent with the current requirements regarding cogeneration facilities and is necessary to accommodate the facility’s intended operations in 2019 when its contract with its thermal host ends.

STAFF’S ASSESSMENT OF THE PROPOSED AMENDMENT

Energy Commission technical staff reviewed the petition for potential environmental effects and consistency with applicable LORS. Staff’s conclusions in each technical area are summarized in the following **Executive Summary Table 1**.

**Executive Summary Table 1
Summary of Impacts for Each Technical Area**

Technical Areas Reviewed	Technical Area Not Affected	CEQA			Conforms with applicable LORS	Revised or New Conditions of Certification requested or recommended
		Potentially significant impact	Less than significant impact with mitigation	Less than significant impact		
Air Quality				X	X	
Biological Resources	X			N/A*	X	
Cultural Resources	X			N/A	X	
Efficiency				X	X	
Facility Design	X			N/A	X	
Geological and Paleontological Resources	X			N/A	X	
Hazardous Materials Management	X			N/A	X	
Land Use	X			N/A	X	
Noise and Vibration	X			N/A	X	
Public Health	X			N/A	X	
Reliability	X			N/A	X	
Socioeconomics	X			N/A	X	
Soil and Water Resources				X	X	
Traffic and Transportation	X			N/A	X	
Transmission Line Safety & Nuisance	X			N/A	X	
Transmission System Engineering	X			N/A	X	
Visual Resources	X			N/A	X	
Waste Management	X			N/A	X	
Worker Safety and Fire Protection	X			N/A	X	

*Not applicable.

Staff has determined that the following technical or environmental areas are not affected by the proposed modification to remove Engineering Condition of Certification-1: Biological Resources, Cultural Resources, Facility Design, Geological and Paleontological Resources, Hazardous Materials Management, Land Use, Noise and Vibration, Public Health, Reliability, Socioeconomics, Traffic and Transportation,

Transmission Line Safety and Nuisance, Transmission System Engineering, Visual Resources, Waste Management, and Worker Safety and Fire Protection.

The technical areas affected by the proposal to remove Engineering Condition of Certification-1 are Air Quality, Efficiency, and Soil and Water Resources. For these technical areas, staff concludes that removal of the condition of certification would not result in a significant impact on the environment or cause the project to not comply with applicable LORS. Staff notes the following for these areas:

AIR QUALITY – The facility can operate in compliance with the air quality conditions of certification with or without a thermal host. The KCC operates under the oversight of the Monterey Bay Unified Air Pollution Control District [Monterey Bay Air Resources District (MBARD)]. Staff understands no changes to MBARD issued documents are required to accommodate operation without a thermal host. In addition, there are no proposed changes to the Air Quality Conditions of Certification.

EFFICIENCY – The facility has been designed and built to operate with or without a steam host receiving thermal energy. The petition has not proposed any physical changes to the facility. The existing lines and equipment that direct steam to the host will be simply closed. The facility would comply with the existing conditions of certification and applicable LORS.

SOIL & WATER RESOURCES

Water Supply: There would be no change in the water supply by eliminating Engineering Condition of Certification-1. By eliminating the condition of certification, there would be no requirement to deliver steam to the host and thus no requirement to use groundwater for steam production. There are no conditions of certification that place limits on groundwater use and the anticipated decrease in use would be beneficial.

Water Quality: Any KCC wastewater streams generated as a result of steam boiler operation and delivery to the host are recycled to the KCC cooling towers for use. Blowdown from the cooling towers is discharged along with wastewater from the steam host to the Industrial Publicly-Owned Treatment Works. There would be no change in the method of wastewater disposal by eliminating Engineering Condition of Certification-1. If groundwater use for delivery to the steam host decreases then wastewater generated from its use would also decrease. Decreases in this wastewater stream, which is recycled to the cooling towers, would have to be made up using groundwater, likely offsetting some of the savings realized by the termination of steam generation for the steam host. Staff concludes that there would be no significant change in the wastewater discharge from KCC; therefore, it would not result in a significant impact.

Drainage: The modification would not result in a change in volume or method used to manage storm water at the project.

STAFF RECOMMENDATIONS AND CONCLUSIONS

Staff concludes that the following required findings, mandated by Title 20, California Code of Regulations, section 1769 (a)(4), can be made, and staff recommends approval of the petition by the Energy Commission:

- The removal of the condition of certification would not cause a significant impact on the environment;
- The project would remain in compliance with all applicable laws, ordinances, regulations, and standards;
- The anticipated decrease in groundwater use would be beneficial to the project owner and the public; and
- There have been substantial changes in circumstances since certification of the facility due to amendments to the Warren-Alquist Act that removed the requirement that the Energy Commission conduct an Integrated Assessment of Need prior to certifying a facility. The proposed modification would remove an obsolete requirement that the facility produce thermal energy for a steam host in addition to electrical energy.

REFERENCES

CEC 1987 -- California Energy Commission Decision on the Application for Certification for Basic American Foods' American 1 Cogeneration Project (King City Cogeneration Facility) (85-AFC-5), June 1987.

KCC 2018-- Calpine, Petition for Modification to Remove Engineering Condition of Certification-1, December 2018, Docket No. 85-AFC-05C (TN #: 226169)

DOCKETED	
Docket Number:	85-AFC-05C
Project Title:	Compliance - Application for Certification of the (BAF) American I Cogeneration Project AFC
TN #:	226169
Document Title:	Petition for Modification to Remove Engineering Condition of Certification-1
Description:	N/A
Filer:	Eric Janssen
Organization:	Ellison Schneider Harris & Donlan LLP
Submitter Role:	Applicant Representative
Submission Date:	12/21/2018 2:53:17 PM
Docketed Date:	12/21/2018



December 21, 2018

Mr. Eric Veerkamp
Compliance Project Manager
Siting, Transmission and
Environmental Protection (STEP) Division
California Energy Commission
1516 Ninth Street, MS-2000
Sacramento, CA 95814
E-mail: Eric.Veerkamp@energy.ca.gov

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/

Samantha G. Neumyer
Jeffery D. Harris
Ellison Schneider Harris & Donlan LLP
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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.

STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:
KING CITY COGENERATION

) **Docket No. 85-AFC-05C**
)
)
)
)
) **ORDER**
) **APPROVING PETITION FOR**
) **MODIFICATION TO REMOVE**
) **ENGINEERING CONDITION**
) **OF CERTIFICATION-1**

Calpine King City CoGen, LLC

I. INTRODUCTION

In December 2018, Calpine King City CoGen, LLC (Calpine), the owner of the King City Cogeneration facility (facility), submitted to the California Energy Commission (Energy Commission) a Petition for Modification to Remove Engineering Condition of Certification-1 (petition) from the final decision for the facility issued in June 1987 (final decision).

Engineering Condition of Certification-1 was included in the final decision 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 and the law in effect at that time.

The proposed removal of Engineering Condition of Certification-1 will eliminate the requirement that the facility produce thermal energy for a steam host in addition to electrical energy, which would be consistent with the facility's intended operations in 2019 and with subsequent changes in California law.

Energy Commission staff reviewed all project related information and, on March 20, 2019, published a revised staff analysis assessing the impacts on the environment from the granting the petition.

The staff analysis concludes that the proposed modifications would not result in any significant adverse environmental impacts, and would comply with all applicable laws, ordinances, regulations, and standards. Staff recommends approval of the Petition for Modification to Remove Engineering Condition of Certification-1 from the final decision for the facility.

II. FINDINGS

The Energy Commission produced an EIR-equivalent analysis of the King City Cogeneration facility as part of its original licensing proceeding, which culminated in the grant of a license on June, 1987. Based on the entire record of this proceeding, including staff's analysis, and the final decision and the environmental analysis of the project contained therein, the Energy Commission concludes that the proposed modifications will not result in any significant impacts to public health and safety, or to the environment. The Energy Commission finds that:

- The petition meets all the filing criteria of Title 20, section 1769 (a)(1), of the California Code of Regulations, concerning post certification changes in project design, operation, or performance;
- None of the findings specified in Title 20, section 1748(b) are applicable; and
- The modified project would not have a significant impact on the environment.

III. CONCLUSION AND ORDER

The California Energy Commission concludes that the proposed modifications to the final decision contained in the petition, and Energy Commission staff's analysis thereof, do not meet the criteria requiring production of subsequent or supplemental environmental review as specified in Title 14, California Code of Regulations, section 15162(a); therefore, no subsequent or supplemental EIR-equivalent review or documentation is required. The California Energy Commission hereby approves Calpine King City CoGen, LLC's Petition for Modification to Remove Engineering Condition of Certification-1 from the final decision for the facility issued in June 1987.

IT IS SO ORDERED.

CERTIFICATION

The undersigned Secretariat to the Commission does hereby certify that the foregoing is a full, true, and correct copy of an Order duly and regularly adopted at a meeting of the California Energy Commission held on April 10, 2019.

AYE:

NAY: None

ABSENT: None

ABSTAIN: None

Original Signed by:

Cody Goldthrite
Secretariat.

