

SECTION 1 INTRODUCTION

1.1 OVERVIEW OF AMENDMENT

Wildflower Energy, LP hereby petitions for an incremental change to the existing Larkspur Energy Facility 2001 AFC (01-EP-1). Wildflower Energy, LP is proposing to construct a third combustion turbine generator unit (Unit 3) and associated equipment on the undeveloped eastern portion of the existing Larkspur Energy Facility parcel as described in Section 2.0, Project Description. The proposed incremental change to the existing Larkspur Energy Facility will be referred to in this document as the “proposed Larkspur 3 Energy Facility Project” or “the Project”.

The incremental change to the existing Larkspur Energy Facility contains all of the information that is required pursuant to the California Energy Commission’s (CEC or Commission) Siting Regulations (California Code of Regulations [CCR] Title 20, Section 1769, Post Certification Amendments and Changes). The information necessary to fulfill the requirements of Section 1769 is contained in Sections 1.0 through 6.0 as summarized in Table 1-1. Figure 1-1 is a map showing the project vicinity.

**TABLE 1-1
INFORMATIONAL REQUIREMENTS FOR POST-CERTIFICATION AMENDMENTS AND CHANGES**

Section 1769(a)(1) Requirement	Section(s) of Petition Fulfilling Requirement
(A) A complete description of the proposed modifications, including new language for any conditions that will be affected	Section 2.0 – Proposed modifications Section 3.1 to 3.14 – Proposed changes to conditions of certifications, where necessary, are located at the end of each technical section
(B) A discussion of the necessity for the proposed modifications	Section 1.3
(C) If the modification is based on information that was known by the petitioner during the certification proceeding, an explanation why the issue was not raised at that time	Section 1.4
(D) If the modification is based on new information that changes or undermines the assumptions, rationale, findings, or other bases of the final decision, an explanation of why the change should be permitted	Sections 1.5
(E) An analysis of the impacts the modification may have on the environment and proposed measures to mitigate any significant adverse impacts	Section 3.1 to 3.14
(F) A discussion of the impact of the modification on the facility’s ability to comply with applicable laws, ordinances, regulations, and standards	Section 3.1 to 3.14
(G) A discussion of how the modification affects the public	Section 4.0
(H) A list of property owners potentially affected by the modification	Section 5.0
(I) A discussion of the potential effect on nearby property owners, the public and the parties in the application proceedings.	Section 6.0

1.2 OWNERSHIP OF LARKSPUR 3 ENERGY FACILITY

Larkspur 3, LLC, a wholly owned subsidiary of Diamond Generating Corporation (DGC), is the Project owner. Through other subsidiaries and affiliates, DGC is also the owner of Wildflower Energy, LP and Larkspur Energy, LLC, which is the owner of the two existing gas turbines at the existing Larkspur Energy Facility site (see Figure 1-2, Larkspur Organization Chart).

1.3 NECESSITY OF PROPOSED CHANGES

The Siting Regulations require a discussion of the necessity for the proposed incremental change to the existing Larkspur Energy Facility (Title 20, CCR, Sections 1769 [a][1][B]).

New power projects in Southern California are needed to alleviate the electricity crisis still affecting the state, and which is growing worse. In 2005, the CEC issued warnings concerning the State's ability to meet Southern California's electricity demands:

As the state's demand for electricity increases, California could face severe shortages in the next few years. Of particular concern are the potential impacts of higher-than-average summer temperatures, which can drastically increase the state's electricity demand, as well as shortages resulting from decreased hydroelectric generation in lower-than-average precipitation years. Either of these situations could cause dangerously low reserve margins and potential supply disruptions, particularly in Southern California (CEC 2005 Integrated Energy Policy Act– Committee Final Report Executive Summary, 2005).

California's energy crisis was most apparent during Year 2001-2002 when the State experienced rolling blackouts, leading to widespread disruption in the economy and severe impacts on the State's residents. In 2005 and 2006, California once again experienced Stage 2 shortages (power reserves down to 5%) according to Cumulative Totals of Restricted Maintenance Operations, Alert, Warning, Emergency and Power Watch Notices Issued from 1998 to Present, California Independent System Operator (Revision Date 2/23/2007).

The power crisis is not over. "Electricity consumption in California grew from 250,241 GWh in 2001 to 270,927 GWh in 2004. The state's annual electricity consumption increased almost 3 percent over those three years, higher than forecast in the [CEC] 2003 Energy Report. Despite improvements in power plant licensing, enormously successful energy efficiency programs, and continued technological advances, development of new energy supplies is not keeping pace with the state's increasing demand. Construction of new power plants has lagged and the number of new applications has increased" (CEC 2005 Integrated Energy Policy Report (November 2005)). Of special concern are higher-than-average summer temperatures and shortages from decreased hydroelectric generation. "Either one of these situations could cause dangerously low reserve margins and potential supply disruptions, particularly in Southern California." California must address its long-term electricity needs by bringing new generation on line.

In response to increasing power demands, the California Public Utilities Commission ("CPUC") issued the Order Instituting Rulemaking to Integrate Procurement Policies and Consider Long-Term Procurement Plans (Decision 06-07-029, July 20, 2006) ("Long-Term Procurement Plans"). Under the Long-Term Procurement Plans, the CPUC established a cost-allocation mechanism, on a limited and

transitional basis, that allows the advantages and costs of new generation to be shared by customers in an Investor Owned Utility (“IOU”) service territory. The CPUC designated the IOUs to procure the new generation.

In addition, the CPUC issued the Order Instituting Rulemaking to Consider Refinements to and Further Development of the Commission's Resource Adequacy Requirements Program (Decision 06-07-031, July 20, 2006) (“Resource Adequacy Requirements Program”). Under the Resource Adequacy Requirements Program, the CPUC addressed proposals for refinements to and clarification of the Commission's Resource Adequacy Requirements (“RAR”) program. The decision also addressed program issues that arose during the initial implementation stages of the RAR program.

In this Petition, the Applicant is responding to the State’s growing need for power and to the CPUC’s Long-Term Procurement Plans and Resource Adequacy Requirements Program. The Project will bring needed power generation to Southern California.

1.4 EXPLANATION FOR MODIFICATION

The Siting Regulations require a discussion of whether the modification for the proposed incremental change to the existing Larkspur Energy Facility is based on information known by the Petitioner during the certification proceeding (Title 20, CCR, Sections 1769 [a][1][C]).

Petitioner was aware of the need for power generation in Southern California at the time of the certification proceeding. However, Petitioner was not aware that in 2001 SDG&E and the CPUC would determine that there was a critical need for additional peaking generation in the SDG&E service area in 2008.

The decisions in the CPUC’s Long-Term Procurement Plans and Resource Adequacy Requirements Program are recent. Therefore, Petitioner could not have anticipated the need for the installation of an additional LM 6000 gas turbine generator in 2001 at Larkspur, as proposed herein.

1.5 CONSISTENCY OF CHANGES WITH CERTIFICATION

The CEC Siting Regulations also require a discussion of whether the modifications are based upon new information that changes or undermines the assumptions, rationale, findings, or bases of the final decision (Title 14, CCR Section 1769 [a][1][D]). If the existing Larkspur Energy Facility is no longer consistent with the certification, the Project must provide an explanation why the modification should be permitted.

As discussed above, California is facing severe shortages of power. The requested modification is based on a critical need for peaking capacity in 2008 that has been identified by the CPUC and SDG&E. However, it does not undermine the assumptions, rational, findings, or other bases of the final decision for the 2001 AFC by the CEC.

1.6 SUMMARY OF ENVIRONMENTAL IMPACTS

The CEC Siting Regulations require that an analysis be conducted to address the potential impact the Project may have on the environment and proposed measures to mitigate any potentially significant

adverse impacts (Title 20, CCR, Section 1769 [1][a][E]). The regulations also require that a discussion of the impact of the Project on the facility's ability to comply with the applicable Laws, Ordinances Regulations and Standards (LORS) (Section 1769 [1][a][F]). Section 3.0 of the incremental change includes a discussion of the potential environmental impacts associated with the Project as well as a discussion of the consistency of the modification to the LORS. For environmental discipline areas affected by the proposed modifications, Section 3.0 also includes any information necessary to update environmental baseline information to reflect significant changes in baseline conditions that may have occurred between the time information submitted previously in support of the application was developed and the present. Section 3.0 concludes that there will be no significant environmental impacts associated with implementing the actions specified in the Project and that the Project will comply with all applicable LORS.

1.7 REFERENCES CITED

California Energy Commission, 2001. Larkspur Energy Facility Conditions of Certification. Located at http://www.energy.ca.gov/sitingcases/peakers/larkspur/documents/01_Larkspur_SA.PDF.

California Energy Commission. 2005. 2005 Integrated Energy Policy Report – Committee Final Report Executive Summary. Located at <http://www.energy.ca.gov/2005publications/CEC-100-2005-007/CEC-100-2005-007-ES.PDF>.

California Executive Order D-20-01 (Jan. 31, 2001).

Wildflower Energy, Application for Certification Pursuant to the 21-Day Emergency Permitting Process Larkspur Energy Facility San Diego, California, March 7, 2001.