

1 **BEFORE THE ARIZONA POWER PLANT**
2 **AND TRANSMISSION LINE SITING COMMITTEE**

3 In the matter of the Application of Salt)
4 River Project Agricultural Improvement and)
5 Power District in conformance with the)
6 requirements of Arizona Revised Statutes) Case No. 105
7 Sections 40-360-03 and 40-360.06, for a) Docket No. L-00000B-00-0105
8 Certificate of Environmental Compatibility)
9 authorizing the Expansion of its Santan) Decision No. _____
10 Generating Station, located at the intersection)
11 of Warner Road and Val Vista Drive,)
12 in Gilbert, Arizona, by adding 825 megawatts)
13 of new capacity in the form of three combined)
14 cycle natural gas units, and associated)
15 intraplant transmission lines.)
16 _____)

17 **CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY**

18 Pursuant to notice given as provided by law, the Arizona Power Plant and
19 Transmission Line Siting Committee (the "Committee") held public hearings at the
20 Dobson Ranch Inn, 1644 South Dobson Road, Mesa, Arizona, on September 14, 2000,
21 and various days following, in conformance with the requirements of Arizona Revised
22 Statutes section 40-360 *et seq.*, for the purpose of receiving evidence and deliberating
23 on the Application of Salt River Project Agricultural Improvement and Power District
24 ("Applicant") for a Certificate of Environmental Compatibility in the above-captioned
25 case (the "Application").

The following members or designees of members of the Committee were present
for the hearing on the Application:

Paul A. Bullis Chairman, Designee for Arizona Attorney General Janet Napolitano

Steve Olea Designee of Chairman of the Arizona Corporation Commission

1	Richard Tobin	Designee for the Arizona Department of Environmental Quality
2		
3	Dennis Sundie	Designee for the Director of the Department of Water Resources
4		
5	Mark McWhirter	Designee for the Director of the Energy Office of the Arizona Department of Commerce
6		
7	George Campbell	Appointed Member
8	Jeff Mcguire	Appointed Member
9	A. Wayne Smith	Appointed Member
10	Sandie Smith	Appointed Member
11	Mike Whalen	Appointed Member

11 The Applicant was represented by Kenneth C. Sundlof, Jr., Jennings, Strouss &
12 Salmon PLC. There were seventeen intervenors: Arizona Utilities Investor Association,
13 by Ray Heyman; Arizona Corporation Commission Staff, by Janice Alward; Arizona
14 Center for Law in the Public Interest, by Timothy Hogan, Mark Kwiat, Elisa Warner,
15 David Lundgreen, Cathy LaTona, Sarretta Parrault, Mark Sequeira, Cathy Lopez,
16 Michael Apergis, Marshal Green, Charlie Henson, Jennifer Duffany, Christopher
17 Labban, Bruce Jones and Dale Borger. There were a number of limited appearances.

18 The Arizona Corporation Commission has considered the grant by the Power
19 Plant and Line Siting Committee of a Certificate of Environmental Compatibility to SRP
20 and finds that the provisions of A.R.S. §40-360.06 have complied with, and, in addition,
21 that documentary evidence was presented regarding the need for the Santan Expansion
22 Project. Credible testimony was presented concerning the local generation deficiency in
23 Arizona and the need to locate additional generation within the East Valley in order to
24 minimize transmission constraints and ensure reliability of the transmission grid. The
25 evidence included a study that assessed the needs of the East Valley. The analysis

1 found that the East Valley peak load currently exceeds the East Valley import capability
2 and within the next 5 years the East Valley load will exceed the load serving capability.

3 Additional testimony was presented regarding SRP's projected annual 3.7% load
4 growth in its service territory. By 2008, SRP will need approximately 2700 MW to meet
5 its load. This local generation plant will have power available during peak periods for
6 use by SRP customers.

7 At the conclusion of the hearing and deliberations, the Committee, having
8 received and considered the Application, the appearance of Applicant and all
9 intervenors, the evidence, testimony and exhibits presented by Applicant and all
10 intervenors, the comments made by persons making limited appearances and the
11 comments of the public, and being advised of the legal requirements of Arizona Revised
12 Statutes Sections 40-360 to 40-360.13, upon motion duly made and seconded, voted to
13 grant Applicant the following Certificate of Environmental Compatibility (Case No. L-
14 00000B-00-0105):

15 Applicant and its assignees are granted a Certificate of Environmental
16 Compatibility authorizing the construction of an 825 megawatt generating facility
17 consisting of three combined cycle units with a total net output of 825 megawatts
18 together with related infrastructure and appurtenances, in the Town of Gilbert, on
19 Applicant's existing Santan Generating Station site, and related switchyard and
20 transmission connections, as more specifically described in the Application (collectively,
21 the "Project"). Applicant is granted flexibility to construct the units in phases, with
22 different steam turbine configurations, and with different transmission connection
23 configurations, so long as the construction meets the general parameters set forth in the
24 application.
25

1 This certificate is granted upon the following conditions:

- 2 1. Applicant shall comply with all existing applicable air and water pollution
3 control standards and regulations, and with all existing applicable
4 ordinances, master plans and regulations of the State of Arizona, the
5 Town of Gilbert, the County of Maricopa, the United States, and any other
6 governmental entities having jurisdiction.

7 **Status ~ No update or change from January 2002 quarterly report
8 status.**

- 9 2. This authorization to construct the Project will expire five (5) years from
10 the date the Certificate is approved by the Arizona Corporation
11 Commission unless construction of the Project is completed to the point
12 that the project is capable of operating at its rated capacity; provided,
13 however, that Applicant shall have the right to apply to the Arizona
14 Corporation Commission for an extension of this time limitation.

15 **Status ~ No update or change from January 2002 quarterly report
16 status.**

- 17 3. Applicant's project has two (2) approved transmission lines emanating
18 from its power plant transmission switchyard and interconnecting with the
19 existing transmission system. This plant interconnection must satisfy the
20 single contingency criteria (N-1) without reliance on remedial action such
21 as a generator unit tripping or load shedding.

22 **Status ~ There are currently four 230 kV circuits connecting the Santan
23 230kV switchyard to other substations and receiving stations in the
24 SRP transmission system and six 69kV circuits connecting the 69kV
25 switchyard to SRP's distribution substations to serve customer loads.
Hence connection of the SEP generators to the existing 230 kV and 69
kV switchyards at Santan will provide for required redundant
connections to the grid.**

- 26 4. Applicant shall use reasonable efforts to remain a member of WSCC, or
27 its successor, and shall file a copy of its WSCC Reliability Criteria
28 Agreement or Reliability Management System (RMS) Generator
29 Agreement with the Commission.

30 **Status ~ SRP is currently a member of the WSCC and plans to continue
31 its membership with the WSCC and its successor, WECC.**

- 32 5. Applicant shall use reasonable efforts to remain a member of the
33 Southwest Reserve Sharing Group, or its successor.

1 **Status ~ No update or change from January 2002 quarterly report**
2 **status.**

- 3 6. Applicant shall meet all applicable requirements for groundwater set forth
4 in the Third Management Plan for the Phoenix Active Management Area.

5 **Status ~ SRP is continuing its negotiations with the Town of Gilbert to**
6 **provide renewable water supplies (Salt/Verde surface water, effluent**
7 **and/or Central Arizona Project water) for use at the Santan Expansion**
8 **Project. SRP will be using these renewable water supplies both directly**
9 **and through the recovery of storage credits developed by first storing**
10 **renewable water supplies in the underground aquifer, as required by the**
11 **Third Management Plan for the Phoenix Active Management Area. The**
12 **industrial water from the Santan Expansion Project will be reused**
13 **locally for agricultural and residential irrigation.**

- 14 7. With respect to landscaping and screening measures, including the
15 improvements listed in the IGA, Applicant agrees to develop and
16 implement a public process consistent with the process chart (Exhibit 89)
17 presented during the hearings, modifying the dates in the IGA with the
18 Town of Gilbert, if necessary, to correspond with the schedule in Exhibit
19 89.

20 The new Community Working Group (CWG) will consist of 12 members,
21 selected as follows: one member selected by the Town of Gilbert, four
22 members selected by neighborhood homeowner associations, four
23 representatives selected by intervenors, and three members selected by
24 SRP (not part of the aforementioned groups) who were part of the original
25 community working group. Applicant and landscaping consultants shall
act as advisors to the CWG. CWG meetings shall be noticed to and be
open to the general public. The initial meeting shall take place on an
evening or weekend in the Town of Gilbert.

The objective of the CWG shall be to refine the landscaping and mitigation
concept plans submitted during these hearings (Exhibit 88). The CWG shall
work to achieve appropriate visual mitigation of plant facilities and to
facilitate the design and installation of the concept plan components so as to
maximize the positive impact on the community and to increase, wherever
possible, the values of the homes in the neighboring areas. The refinement
of the mitigation plans shall be reasonably consistent with the planning
criteria of the Town of Gilbert, the desires of neighboring homeowner
associations, and the reasonable needs of Applicant.

Applicant shall retain an independent facilitator, acceptable to the CWG, to
conduct the CWG meetings. It shall be the role of the facilitator to assist in
initial education and in conducting an orderly and productive process. The
facilitator may, if necessary, employ dispute resolution mechanisms.

1 The CWG shall also assist in establishing reasonable maintenance
2 schedules for landscaping of Applicant's plant site in public-view areas.

3 Applicant will develop with the Town of Gilbert a continuous fund, to be
4 administered by the Town of Gilbert, to provide for the construction and
5 maintenance of off-site landscaping in the areas depicted in the off-site
6 landscaping concepts as developed by the CWG in an amount sufficient to
7 fund the concepts in Exhibit 88 or concepts developed by the CWG,
8 whichever is greater.

9 ***Status ~ The process to complete the landscaping and screening
10 designs around the Santan Generating Station is continuing.***

11 ***The Landscaping & Mitigation CWG has had twenty-four 4-hour
12 meetings. The initial meeting was held on June 2, 2001, the group has
13 met on the following dates since then:***

<i>June 13th, 2001</i>	<i>November 1st</i>	<i>February 11th</i>
<i>July 7th</i>	<i>November 6th</i>	<i>February 23rd</i>
<i>July 17th</i>	<i>November 26th</i>	<i>March 4th</i>
<i>July 28th</i>	<i>December 1st</i>	<i>March 30th</i>
<i>August 14th</i>	<i>December 15th</i>	<i>April 4th</i>
<i>September 8th</i>	<i>January 5th, 2002</i>	<i>April 22nd</i>
<i>September 22nd</i>	<i>January 23rd</i>	<i>April 29th</i>
<i>October 23rd</i>	<i>February 2nd</i>	

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15 ***The CWG has agreed on a conceptual plan for the on-site landscaping
16 based upon work performed by TenEyck Landscape Architects. SRP
17 has agreed to fund this plan at a cost of approximately \$6.7 million with
18 the following stipulations:***

- 19 • ***Funding of the off-site landscaping will be set at \$1.5 million***
- 20 • ***Although the CWG is still working through the off-site process, if
21 the homeowners' associations (HOAs) end up doing the planning
22 for their specific community then the following tenets must be
23 built into the process:***
 - 24 ○ ***CWG agrees to develop a formula or process for
25 allocating the off-site landscaping funds to the HOAs they
designate***
 - ***Town of Gilbert acts as an intermediary for transmittal of
funds to the HOAs***
 - ***HOAs commit in writing that the funds will be used for the
purposes specified in the CEC conditions list***
 - ***HOAs work with the CWG on the offsite plans***
- ***SRP will remove the 3rd oil tank but will replace with 2 smaller
tanks***

- *Two structural issues must be resolved for the landscape berm 1) the stability of the extra high berm in the specialty area along Warner Road across from Key Biscayne Drive is an issue and 2) the berm in the SW corner of the site may have to be lower to accommodate the 2 smaller oil tanks.*
- *SRP will put forth its best effort to obtain larger tree sizes, but where not available SRP will purchase the best plants that can be obtained*
- *SRP will proceed with a process to buy trees ahead of time.*
- *The plan must be approved by the Town of Gilbert staff*

The CWG continues to work through the process for off-site mitigation but has not yet agreed on a conceptual plan. Some of the plan components being discussed to date are:

- *Delegation of the detailed off-site landscape mitigation planning to the HOAs.*
- *Acceptance of an SRP offer to meet with each HOA board to inform them of the background and what is needed from them.*
- *Development of guidelines and a cover letter explaining the process to HOAs.*
- *Review of HOA plan by the CWG*
- *Requirement of broad notice to homeowners as part of the guidelines*
- *Permission to use the money for landscape maintenance if an HOA does not use its allocation.*

At the writing of this report the CWG continues to debate the following issues:

- *What HOAs should be included in off-site mitigation*
- *How to allocate funds to each community*
- *Magnitude of SRP off-site budget fund included in stipulation list*

An Open House is planned for April 30, 2002 to view and comment on the on-site plans developed by the Santan CWG. Please see Appendix A for the latest "Energy News" announcing the Open House. The "Energy News" was mailed to approximately 25,000 residents living within a 2.5-mile radius of the Santan Generating Station.

SRP continues to reiterate the need to move along the on-site plan so plantings can begin as soon as possible.

8. The visual mitigation efforts shall be in general compliance with the plans and concepts presented in these proceedings and constitute a commitment level by Applicant. Applicant will not reduce the overall level of mitigation as set forth in its Application and this proceeding, except as may be reasonably changed during the CWG process. The Town of Gilbert shall approve the plans agreed to by the CWG.

Status ~ *SRP has agreed to fund the on-site design developed by the CWG at a cost of \$6.7 million. This \$6.7 million does not include the following:*

- **Construction management costs for the landscaping work**
- **Off-site mitigation**
- **Warner Road improvements**
- **Warner Road median enhancements**
- **Other IGA requirements (canal re-alignment, training tower removal, undergrounding of electrical line along Warner Road)**
- **Cell tower relocation**
- **Relocation of 69kv line along east side to accommodate landscaping**
- **Construction of a pit to depress the HRSGs**
- **Relocation of solar panels and retention pond to accommodate berm**

9. Applicant shall, where reasonable to do so, plant on site trees by the fall of 2001. Because planting of trees must await the improvement of Warner Road and the design and construction of berms, this condition will largely apply to trees on the East side of the site, and some of the trees on the North side. All landscaping will be installed prior to the installation of major plant equipment such as, but not limited to, exhaust stacks, combustion turbines, and heat recovery steam generators, except where delays are reasonably necessary to facilitate construction activities.

Status ~ The design plan has not been finalized; therefore planting has not started. The CWG originally planned to complete the on-site design by October 2001. SRP continues to remind the CWG that power plant construction is rapidly approaching and encourages completion of the design plans so trees can be planted as soon as possible.

10. Applicant shall operate the Project so that during normal operations the Project shall not exceed the most restrictive of applicable (i) HUD residential noise guidelines, (ii) EPA residential noise guidelines, or (iii) applicable City of Tempe standards. Additionally, construction and operation of the facility shall comply with OSHA worker safety noise standards. Applicant agrees that it will use its best efforts to avoid during nighttime hours construction activities that generate significant noise. Additionally, Applicant agrees to comply with the standards set forth in the Gilbert Construction Noise Ordinance, Ordinance No. 1245, during construction of the project. In no case shall the operational noise level be more than 3 db above background noise as of the noise study prepared for this application. The Applicant shall also, to the extent reasonably practicable, refrain from venting between the hours of 10:00 p.m. and 7:00 a.m.

Status ~ Sargent and Lundy ("S&L" - plant architect/engineer) is currently analyzing noise response information from General Electric (gas turbine and steam turbine manufacturer). This will also be done for the HRSGs once they are purchased. S&L has also retained an acoustical consultant to assist in this work. S&L is incorporating the noise objectives in the specification and design of all pertinent equipment and facilities associated with the SEP.

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11. Applicant will work with the Gilbert Unified School District to assist it in converting as many as possible of its school bus fleet to green diesel or other alternative fuel, as may be feasible and determined by Gilbert Unified School District, and will contribute a minimum of \$330,000 to this effort.

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Status ~ No update or change from January 2002 quarterly report status.

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12. Applicant shall actively work with all interested Valley cities, including at a minimum, Tempe, Mesa, Chandler, Queen Creek and Gilbert, to fund a Major Investment Study through the Regional Public Transit Authority to develop concepts and plans for commuter rail systems to serve the growing population of the East Valley. Applicant will contribute a maximum of \$400,000 to this effort.

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Status ~ SRP is continuing discussions with County and Town representatives.

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13. Within six months of approval of this Order by the Arizona Corporation Commission, Applicant shall either relocate the gas metering facilities to the interior of the plant site or construct a solid wall between the gas metering facilities at the plant site and Warner Road. The wall shall be of such strength and size as to deflect vehicular traffic (including a fully loaded concrete truck) that may veer from Warner Road to the gas-metering site.

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Status ~ By mid October, 2001 SRP had erected a earthen and concrete temporary barrier in front of the gas metering station along Warner Road. SRP is in the final stages of construction on the new gas metering station at a site near the southern boundary of the property. Conversion of service to this new metering station should occur around the first of May 2002. Please see Appendix B for a letter mailed to residents living within a .5-mile radius of the Santan Generating Station explaining the conversion process.

The gas metering station along Warner Road will be removed soon after the May 2002 conversion.

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14. Applicant will use only SRP surface water, CAP water or effluent water for cooling and power plant purposes. The water use for the plant will be consistent with the water plan submitted in this proceeding and acceptable to the Department of Water Resources. Applicant will work with the Town of Gilbert to attempt to use available effluent water, where reasonably feasible.

Status ~ As stated in Condition 6, SRP is continuing its negotiations with the Town of Gilbert. On April 8, 2002 SRP and the Central Arizona Water Conservation District signed an agreement providing for the

1 **delivery of excess Central Arizona Project water. SRP intends to store**
2 **this CAP water in the Granite Reef Underground Storage Project for**
3 **future use at the Santan Generating Station. SRP plans to store 7,000**
4 **acre feet by December 2002**

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15. Applicant agrees to comply with all applicable federal, state and local regulations relative to storage and transportation of chemicals used at the plant.

Status ~ No update or change from January 2002 quarterly report status.

16. Applicant agrees to maintain on file with the Town of Gilbert safety and emergency plans relative to emergency conditions that may arise at the plant site. On at least an annual basis Applicant shall review and update, if necessary, the emergency plans. Copies of these plans will be made available to the public and on Applicant's web site. Additionally Applicant will cooperate with the Town of Gilbert to develop an emergency notification plan and to provide information to community residents relative to potential emergency situations arising from the plant or related facilities. Applicant agrees to work with the Gilbert police and fire departments to jointly develop on site and off-site evacuation plans, as may be reasonably appropriate. This cooperative work and plan shall be completed prior to operation of the plant expansion.

Status ~ No update or change from January 2002 quarterly report status.

17. In obtaining air offsets required by EPA and Maricopa County, Applicant will use its best efforts to obtain these offsets as close as practicable to the plant site.

Status ~ No update or change from January 2002 quarterly report status.

18. In order to reduce the possibility of generation shortages and the attendant price volatility that California is now experiencing, SRP will operate the facilities consistent with its obligation to serve its retail load and to maintain a reliable transmission system within Arizona.

Status ~ No update or change from January 2002 quarterly report status.

19. Beginning upon operation of the new units, Applicant will establish a citizens' committee, elected by the CWG, to monitor air and noise compliance and water quality reporting. Applicant will establish on-site air and noise monitoring facilities to facilitate the process. Additionally Applicant shall work with Maricopa County and the Arizona Department of Environmental

1 Quality to enhance monitoring in the vicinity of the plant site in a manner
2 acceptable to Maricopa County and the Arizona Department of
3 Environmental Quality. Results of air monitoring will be made reasonably
4 available to the public and to the citizens' committee. Applicant shall provide
5 on and off-site noise monitoring services (at least on a quarterly basis),
6 testing those locations suggested by the citizens' committee. The off-site air
7 monitoring plan shall be funded by the Applicant and be implemented before
8 operation of the plant expansion.

9 **Status ~ No update or change from January 2002 quarterly report
10 status.**

- 11 20. Applicant will explore, and deploy where reasonably practicable, the use of
12 available technologies to reduce the size of the steam plumes from the unit
13 cooling towers. This will be a continuing obligation throughout the life of the
14 plant.

15 **Status ~ Sargent and Lundy, "S&L" - plant architect/engineer, will
16 advise SRP on the availability and practicality of reducing the size of
17 the cooling tower plumes. S&L is not yet at the point of cooling tower
18 specification in the overall plant design schedule.**

- 19 21. SRP will, where practicable, work with El Paso Natural Gas Company to use
20 the railroad easements for the installation of the new El Paso gas line.

21 **Status ~ In order to design, permit and build the new pipeline required
22 to serve the SEP on a timely basis it is likely that SRP will have
23 responsibility for design and construction of the pipeline. SRP has
24 hired an architect/engineer to coordinate this activity. Route selection
25 is continuing and once a pipeline route is chosen work will commence
on right of way acquisition. SRP will be working with the Union Pacific
railroad on right of way issues during this process.**

- 26 22. Other than the Santan/RS 18 lines currently under construction, Applicant
27 shall not construct additional Extra High Voltage transmission lines (115kV
28 and above) into or out of the Santan site, including the substation on the site.

29 **Status ~ SRP has no plans to construct additional Extra High Voltage
30 transmission lines (no new circuits 115kv and above) into or out of the
31 Santan site or substation on the site. However, some of the existing
32 circuits will be bundled in the future as planned.**

- 33 23. Applicant will replace all Town of Gilbert existing street sweepers with
34 certified PM10 efficient equipment. A PM10 efficient street sweeper is a
35 street sweeper that has been certified by the South Coast Air Quality
Management District (California) to comply with the District's performance
standards under its Rule 1186 (which is the standard referenced by the
Maricopa Association of Governments).

Status ~ PM10 street sweepers have been ordered and are due to arrive in the 2nd quarter of 2002.

24. Applicant shall work in a cooperative effort with the Office of Environmental Health of the Arizona Department of Health Services to enhance its environmental efforts.

Status ~ No update or change from January 2002 quarterly report status.

25. Applicant shall operate, improve and maintain the plant consistent with applicable environmental regulations and requirements of the Environmental Protection Agency, the Arizona Department of Environmental Quality, Maricopa County and the Town of Gilbert.

Status ~ No update or change from January 2002 quarterly report status.

26. Applicant shall actively work in good faith with Maricopa County in its efforts to establish appropriate standards relative to the use of distillate fuels in Valley generating facilities.

Status ~ No update or change from January 2002 quarterly report status.

27. Applicant shall install continuous emission monitoring equipment on the new units and will make available on its website emissions data from both the existing and new units according to EPA standards. Applicant shall provide information to the public on its website in order to assist the public in interpreting the data, and provide viable information in a reasonable time frame.

Status ~ No update or change from January 2002 quarterly report status.

28. Applicant will comply with the provisions of the Intergovernmental Agreement dated April 25, 2000 between Applicant and the Town of Gilbert, as modified pursuant to this Certificate.

Status ~ There are eight SRP obligations noted on the IGA. The status of each obligation is as follows:

- **Improvements to Warner Road and Val Vista Road ~ The Town of Gilbert has not finalized a bid to complete these improvements. The Santan CWG has provided recommendations on the median design. SRP expects the improvements to begin Summer of 2002.**

- **Screening of the Plant ~ The on-site design plan has not been finalized; therefore planting has not started. See condition 7 status for more details.**
- **Trail Extension ~ The trail extension on the east side of Santan will be developed and is incorporated in the on-site design plan.**
- **Rerouting of Canal at Ray Road ~ SRP has procured the one acre of land required to make this canal modification. The design work will be completed prior to summer 2002. The actual construction will be completed by the fall of 2002. Cutover to the new section of canal will coincide with the annual dry up.**
- **Training Tower Removal ~ This training tower was removed in the fall of 2000.**
- **Revegetation Along New RS 18 Line ~ SRP has restored any vegetation damaged or destroyed along the RS 18 line as a result of the construction of the line.**
- **Dust Control Along Canals ~ SRP is in compliance with applicable PM-10 standards along SRP canal banks.**
- **Offsite Tree Planting ~ The off-site design plan has not been developed; therefore planting has not begun.**

29. During the proceeding neighbors to the plant site raise significant concern about the impact of the plant expansion on residential property values. In performing each of the conditions in this order Applicant, in conjunction where applicable, with the Town of Gilbert and the plant site neighbors, shall consider and attempt to maximize the positive effect of its activities on the values of the homes in the surrounding neighborhoods.

Status ~ No update or change from January 2002 quarterly report status.

30. Applicant shall construct the auxiliary boiler stack at such height as may be determined by air modeling requirements. Applicant shall situate the auxiliary boiler stack so that it is not visible from off the plant site.

Status ~ No update or change from January 2002 quarterly report status.

31. Applicant will construct the heat recovery steam generators ("HRSG") approximately 15 feet below grade and will construct the HRSGs so that the overall height of the HRSG module from the natural grade is no more than 80 feet.

Status ~ SRP and Sargent & Lundy are working on the HRSG specification. The specification will reflect the height restriction included in this condition

32. Applicant will complete the installation of the dry low NOX burners on the existing units prior to the construction of the new units.

1 **Status ~ No update or change from January 2002 quarterly report**
2 **status.**

3 33. Applicant shall not transfer this Certificate to any other entity for a period of
4 20 years from the date of approval by the Corporation Commission, other
5 than as part of a financing transaction where operational responsibilities will
6 remain with Applicant, and where Applicant will continue to operate the plant
7 in accordance with this Certificate.

8 **Status ~ No update or change from January 2002 quarterly report**
9 **status.**

10 34. Applicant shall post on its website, when its air quality permit application is
11 submitted to the Maricopa County Environmental Services Department.
12 Also, Applicant shall post on its website any official notice that may be
13 required to be posted in newspapers for its air quality permit application.

14 **Status ~ No update or change from January 2002 quarterly report status.**

15 GRANTED this ____ day of February, 2001

16 ARIZONA POWER PLANT AND TRANSMISSION
17 LINE SITING COMMITTEE

18 _____
19 By Paul A. Bullis
20 Its Chairman

21 **BEFORE THE ARIZONA CORPORATION COMMISSION**

22 In the matter of the Application of Salt)
23 River Project Agricultural Improvement and)
24 Power District in conformance with the)
25 requirements of Arizona Revised Statutes)
 Sections 40-360-03 and 40-360.06, for a)
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 authorizing the Expansion of its Santan)
 Generating Station, located at the intersection)
 of Warner Road and Val Vista Drive,)
 in Gilbert, Arizona, by adding 825 megawatts)
 of new capacity in the form of three combined)
 cycle natural gas units, and associated)
 intraplant transmission lines.)
 _____)

Case No. 105

Docket No. L-00000B-00-0105

Decision No. _____

1
2 The Arizona Corporation Commission (Commission) has conducted its review, as
3 prescribed by A.R.S. §40-360.07. Pursuant to A.R.S. §40-360.07(B), the Commission,
4 in compliance with A.R.S. §40-360.06, and in balancing the broad public interest, the
5 need for an adequate, economical and reliable supply of electric power with the desire
6 to minimize the effect thereof on the environment and ecology of the state;

7 The Commission finds and concludes that the Certificate of Environmental
8 Compatibility should be granted upon the additional and modified conditions stated
9 herein.

- 10 35. The Santan Expansion Project shall be required to meet the Lowest
11 Achievable Emission rate (LAER) for Carbon Monoxide (CO), Nitrogen
12 Oxides (Nox), Volatile Organic Carbons (VOCs), and particulate Matter
13 less than ten micron in aerodynamic diameter (PM10). The Santan
14 Expansion Project shall be required to submit an air quality permit
15 application requesting this LAER to the Maricopa County Environmental
16 Services Department.

17 ***Status ~ No update or change from January 2002 quarterly report
18 status.***

- 19 36. Due to the plant's location in a non-attainment area, the Applicant shall not
20 use diesel fuel in the operation of any combustion turbine or heat recovery
21 steam generator located at the plant.

22 ***Status ~ On January 31, 2002, SRP issued a letter to Mr. Lieb of the
23 Maricopa County Environmental Service Department, indicating that
24 SRP will not pursue an emergency fuel oil burning provision in the
25 Santan air quality permit. A supplement to the Significant Permit
Revision Application will be filed by SRP in early May, 2002 removing
the emergency fuel oil burning request.***

***A recent position advocated by the FERC Advisory Staff could impact
the availability of natural gas for Arizona utilities if adopted by the FERC
commissioners. On March 13, 2002 the FERC Advisory Staff presented
a proposal in the El Paso Natural Gas Company ("El Paso"), Docket No.
RP00-336-000, et. al. that, as currently written, would reallocate pipeline
capacity among El Paso shippers in California, Nevada, Arizona, New
Mexico and Texas. The impact of this reallocation will be to
significantly reduce access to pipeline capacity in Arizona.***

1 **The FERC Staff proposal recommends that the El Paso full**
2 **requirements shippers (i.e. SRP) convert to contract demand status**
3 **with an allocation set at the greater of the billing determinants from the**
4 **1996 settlement or the shipper's usage on December 12, 2001. The**
5 **proposal severely limits the natural gas transportation allocated to**
6 **Arizona customers as it ignores the fact that Arizona electric utilities**
7 **are summer peakers and the fact that Arizona shippers are captive to El**
8 **Paso and have no alternative source of natural gas transportation. As a**
9 **result, it could deprive Arizona of essential supplies of natural gas**
10 **needed to generate electricity. Because the Phoenix valley is a "load**
11 **pocket", there are physical limitations on the ability to import electricity**
12 **to meet peak day demands in the area. Therefore, increasing imported**
13 **electricity to make up the shortfall of natural gas is not an option.**
14 **Without sufficient natural gas supplies, blackouts or electrical**
15 **shortages could occur without the ability to burn alternative fuels, such**
16 **as fuel oil.**

17 **SRP is taking every effort available to explain its position to FERC and**
18 **the critical nature of the proposal in hopes of convincing the FERC**
19 **commissioners not to adopt the FERC Staff recommendation.**

- 20 37. In obtaining emissions reductions related to Carbon Monoxide (CO)
21 emissions, Applicant shall where technologically feasible obtain those
22 emission reductions onsite to the Santan Expansion Project.

23 **Status ~ CO Catalysts will be installed on the existing generating units**
24 **during the winter overhaul seasons in 2002-2003 and 2003-2004.**

- 25 38. Beginning upon commercial operation of the new units, Applicant shall
26 conduct a review of the Santan Generating facility operations and
27 equipment every five years and shall, within 120 days of completing such
28 review, file with the Commission and all parties in this docket, a report
29 listing all improvements which would reduce plant emissions and the costs
30 associated with each potential improvement. Commission Staff shall
31 review the report and issue its findings on the report, which will include an
32 economic feasibility study, to the Commission within 60 days of receipt.
33 Applicant shall install said improvements within 24 months of filing the
34 review with the Commission, absent an order from the Commission
35 directing otherwise.

36 **Status ~ No update or change from January 2002 quarterly report**
37 **status.**

- 38 39. Applicant shall provide \$20,000 to the Pipeline Safety Revolving Fund on
39 an annual basis, thus improving the overall safety of pipelines throughout
40 the State of Arizona.

41 **Status ~ On March 27, 2002, SRP submitted its first check in the amount**
42 **of \$40,000, made payable to the Arizona Corporation Commission, for**

1 **deposit in the Pipeline Safety Revolving Fund. This check has satisfied**
2 **compliance with this condition for the years ending April 30, 2002 and**
3 **April 30, 2003.**

- 4 40. Where feasible, Applicant shall strive to incorporate local and in-state
5 contractors in the construction of the three new generation units for the
6 expansion project.

7 **Status ~ No update or change from January 2002 quarterly report**
8 **status.**

- 9 41. Applicant shall construct a 10 foot high block wall surrounding the
10 perimeter of the Santan plant, and appropriately landscape the area
11 consistent with the surrounding neighborhood, unless otherwise agreed to
12 by the Salt River Project and the Citizens Working Group.

13 **Status ~ No update or change from January 2002 quarterly report**
14 **status.**

15 **APPROVED AS AMENDED BY ORDER OF THE ARIZONA CORPORATION**
16 **COMMISSION**

17 _____
18 Chairman

19 Commissioner

20 Commissioner

21 In Witness hereof, I, Brian C. McNeil,
22 Executive Secretary of the Arizona
23 Corporation Commission, set my hand
24 and cause the official seal of this
25 Commission to be affixed this ____ day
of _____, 2001.

By: _____
Brian C. McNeil
Executive Secretary

Dissent: _____