

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)
7 Sections 40-360-03 and 40-360.06, for a)
8 Certificate of Environmental Compatibility)
9 authorizing the Expansion of its Santan)
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 _____)

Case No. 105

Docket No. L-00000B-00-0105

Decision No. _____

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
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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.

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8 At the conclusion of the hearing and deliberations, the Committee, having
9 received and considered the Application, the appearance of Applicant and all
10 intervenors, the evidence, testimony and exhibits presented by Applicant and all
11 intervenors, the comments made by persons making limited appearances and the
12 comments of the public, and being advised of the legal requirements of Arizona Revised
13 Statutes Sections 40-360 to 40-360.13, upon motion duly made and seconded, voted to
14 grant Applicant the following Certificate of Environmental Compatibility (Case No. L-
15 00000B-00-0105):

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

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 ~ SRP has requested that the EPA make a formal determination
8 that the SEP would be considered a "new source" under the National
9 Pollutant Discharge Elimination System (NPDES) permitting program
10 established by the Federal Clean Water Act. It is expected that EPA will
11 determine that SEP is an NPDES "new source" and will then issue a
12 Notice of Intent to complete an Environmental Assessment in
13 compliance with the provisions of the National Environmental Policy
14 Act (NEPA).***

15 ***The Arizona Department of Environmental Quality (ADEQ) has
16 completed significant steps towards obtaining the authority to
17 administer the NPDES permitting program. Should ADEQ obtain that
18 authority prior to the completion of the NEPA process, the NEPA
19 requirements would not apply and there is the possibility that the
20 process could be terminated prior to formal completion.***

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

27 ***Status ~ No update or change from April 2002 quarterly report status.***

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

33 ***Status ~ No update or change from April 2002 quarterly report status.***

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

38 ***Status ~ No update or change from April 2002 quarterly report status.***

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

3 **Status ~ No update or change from April 2002 quarterly report status.**

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

6 **Status ~ No update or change from April 2002 quarterly report status.**

- 7 7. With respect to landscaping and screening measures, including the
8 improvements listed in the IGA, Applicant agrees to develop and
9 implement a public process consistent with the process chart (Exhibit 89)
10 presented during the hearings, modifying the dates in the IGA with the
11 Town of Gilbert, if necessary, to correspond with the schedule in Exhibit
12 89.

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

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

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

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

37 Applicant will develop with the Town of Gilbert a continuous fund, to be
38 administered by the Town of Gilbert, to provide for the construction and

1 maintenance of off-site landscaping in the areas depicted in the off-site
2 landscaping concepts as developed by the CWG in an amount sufficient to
3 fund the concepts in Exhibit 88 or concepts developed by the CWG,
4 whichever is greater.

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

7 **The CWG has agreed on a conceptual plan for the on-site landscaping
8 based upon work performed by TenEyck Landscape Architects. SRP
9 has agreed to fund this plan at a cost of approximately \$6.7 million.
10 TenEyck Landscape Architects is currently working on the construction
11 documents for this plan and will forward these documents to the Town
12 for their review in the fall of 2002.**

13 **The CWG will meet again later this summer after the landscape architect
14 completes the onsite construction documents.**

15 **The CWG last met on April 29, 2002. At this meeting, the CWG agreed
16 to delegate responsibility for the offsite landscaping plan to SRP. The
17 approach that SRP is developing for the distribution of the \$1.5 million
18 dollars allocated for the offsite mitigation incorporates many of the
19 suggestions and concerns identified during the discussions at the CWG
20 meetings. SRP is working to develop an equitable solution and
21 attempting to make provisions for the varied offsite conditions. SRP
22 has suggested that the allocation of the off-site funds will be based on
23 four primary factors.**

24 **These factors include:**

- 25 **1. Proximity to the Power Plant: Properties that are located closer
to the plant will receive a higher percentage of the funds. This
approach addresses the concern that the plant impairs the view
of those residents who live closer to the plant more than those
who live farther away.**
- 2. Subdivision Area: A portion of the funds will be distributed to
each eligible subdivision based on the acreage of the
subdivision. The fund allocations for the number of acres for
each subdivision will also be adjusted to consider the proximity
of the subdivision to the plant. This factor accounts for
subdivisions with lower lot counts and large open space areas.**
- 3. The Number of Lots within a Subdivision: An additional portion
of the funds will be distributed based on the number of lots
within each eligible subdivision. The fund allocations for the lot
counts will also be adjusted to consider their proximity to the
power plant site. This factor provides an allocation for each lot
within the area defined for mitigation.**

1 **4. Special Condition Areas: There are a number of areas where**
2 **residential lots are adjacent to an open space and facing toward**
3 **the power plant. These areas will be identified and the linear**
4 **footage of the lots exposed to direct views of the plant will be**
5 **calculated. A portion of the overall funds will be allocated to**
6 **address this condition and these funds will be distributed based**
7 **upon the length of frontage.**

8 **The SRP team is working under the following assumptions:**

- 9 • **The designated area for mitigation is property located within a**
10 **1 ¼ mile radius from the center point of the Santan property.**
- 11 • **The funds will be divided as follows:**
 - 12 ○ **Special condition fund will be 20% of the total fund**
 - 13 ○ **Division of funds will be prioritized by proximity to power**
14 **plant**
 - 15 ▪ **0 – ½ mile fund will be 35% of total**
 - 16 ▪ **½ - ¾ mile fund will be 20% of total**
 - 17 ▪ **¾ - 1 mile fund will be 15% of total**
 - 18 ▪ **1 – 1 ¼ mile fund will be 10% of total**
- 19 • **The following four communities are currently identified as**
20 **“special condition areas” due to views created by the**
21 **transmission corridor or golf courses.**
 - 22 ○ **Finley Farms North**
 - 23 ○ **Finley Farms South**
 - 24 ○ **Greenfield Lakes**
 - 25 ○ **Western Skies**
- **Twenty-Two (22) different communities are within the defined**
 radius.
- **The HOA within the established community will receive the**
 allocation and will be responsible for using the funds as
 intended.
- **Property not in an established HOA will receive funds**
 individually perhaps in the form of cash and/or a tree certificate.
- **SRP will pay HOAs for long-term maintenance on vegetative**
 landscaping.
- **Meetings will be established to explain the process, review**
 guidelines, offer suggestions, and answer any questions.
- **Separate HOA meetings will be setup for those receiving over**
 \$100,000. The following communities* fall within this category:
 - **Cottonwoods Crossing**
 - **Finley Farms South**
 - **Greenfield Lakes**
 - **Rancho Cimarron**
 - **Western Skies**
- **All others involved in the offsite fund will be invited to one**
 consolidated meeting.
- **The allocation will exclude commercial properties within the**
 defined radius including those properties bordering Val Vista

1 **and Warner Road, the Post Office, Schools (public and charter),**
2 **Churches and any other non-residential property.**

- 3 • **Depending on their availability Mary Orton and TenEyck**
4 **Landscape Architects will be the lead in relaying information at**
5 **the HOA meetings.**
- 6 • **A cover letter (Appendix A) and guidelines (Appendix B) have**
7 **been developed and will be sent to all communities involved.**
- 8 • **The cover letter will include a timeline for the process.**
- 9 • **Each community must acknowledge and agree to utilize the**
10 **funds as established in the cover letter and guidelines.**
- 11 • **The Town will be involved as much as possible.**
- 12 • **SRP will develop and send a newsletter to residents within a 2.5-**
13 **mile radius of Santan informing them of the offsite fund and its**
14 **intended purpose.**
- 15 • **This newsletter does not replace each HOAs requirement for**
16 **notice to its residents per the guidelines.**

17 * **Although not individually, the County Island residents due south of**
18 **the plant will be receiving a total allocation of over \$100,000.**

19 ** **Due to open views to the power plant, the golf courses in Western**
20 **Skies and Greenfield Lakes will be included in the HOA's allocation.**

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

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

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 CWG has agreed on a conceptual plan for the on-site
landscaping based upon work performed by TenEyck Landscape
Architects. TenEyck is currently working on the construction
documents for this conceptual plan and will forward these documents
to the Town for their review in the fall of 2002. Once Town approval is
obtained, bids will be issued for a landscaping firm to initiate plantings.

SRP and TenEyck continue to work on a specification and bidding
process related to early procurement of trees.

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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.

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Status ~ Sargent and Lundy ("S&L" - plant architect/engineer) is continuing its acoustic analysis for the plant. S&L is incorporating the noise from each individual equipment component to assess the overall site noise profile. S&L has retained an acoustic consultant who is assisting S&L on the project. SRP has been monitoring the Town of Gilbert's efforts to establish a noise ordinance. Such an ordinance, similar to that in force in Tempe, was adopted by the Town Council on July 23, 2002.

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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 ~ SRP, I-10 International and the Gilbert Unified School District have been working collaboratively on a proposal that would phase in the utilization of three technologies in combination with ultra low sulfur fuel oil.

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The three technologies are (1) I-10 International's Green Diesel, (2) a particulate filter, and (3) a diesel oxidation catalyst. Gilbert Unified School District is in the process of reviewing installation information, warranty coverage, and required maintenance schedules for the products.

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All parties are in the exploratory phase of this initial proposal and are proceeding accordingly.

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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

1 \$400,000 to this effort.

2 ***Status ~ SRP has commissioned a study with Parsons Brinkerhoff***
3 ***Quade & Douglas, Inc. in partnership with the Town of Gilbert and other***
4 ***East Valley cities to define the scope of work for the Gilbert/East Valley***
5 ***Transit Systems Plan. The plan, which is expected to take six months***
6 ***to complete, has been divided into seven tasks to better reflect the***
7 ***intent of the requirements imposed by conditions set forth in the***
8 ***agreement.***

9 ***Rather than a standard transit and alternative modes plan, this effort***
10 ***takes a “utilization” approach to defining future transit needs by***
11 ***identifying significant trip generators and attractors, and linking them to***
12 ***provide needed transportation services. At the same time, the plan will***
13 ***help identify appropriate technologies or services that will effectively***
14 ***and efficiently connect key origins and destinations. While these could***
15 ***include some limited fixed route service, in the short-term they will***
16 ***most likely focus on peak hour services, demand responsive systems***
17 ***(e.g., dial-a-ride, flex routes, etc.), express bus routes, or even***
18 ***commuter rail in special cases.***

19 ***The proposal is called the Gilbert/East Valley Transit Systems Plan. It***
20 ***is the last major element in the regional network of community transit***
21 ***plans to be undertaken in the Valley. As such, with assistance from the***
22 ***Regional Public Transportation Authority (RPTA), it will be closely***
23 ***linked to adjacent community transit programs (i.e., Tempe, Mesa and***
24 ***Chandler) yet remain flexible and open to support Gilbert’s unique***
25 ***needs.***

Recognizing that Gilbert’s and the southern East Valley’s trips are more
often than not tied to places other than downtown Phoenix, the
provision of transit and alternative mode services will be more precisely
geared toward residents’ needs. As local growth increasingly
influences regional travel patterns, it will be important for Gilbert and
East Valley (i.e., Tempe, Mesa, Chandler and Queen Creek) leaders to
understand how to link transit services to each other, and the role
transit and alternative modes could play in helping to mitigate traffic
congestion in targeted regional corridors.

In order to meet these needs, the plan proposes a travel forecasting and
planning approach to determine possible transit or alternative mode
service scenarios for Gilbert’s future and its relationship to other East
Valley communities’ transit services. Current traffic levels, along with
25-year travel forecasts will be developed based on current and zoned
land uses and population densities (modified to reflect any anticipated
adjustments to current policies). This analysis will form a base network
of potential transit corridors and linkages to important destinations in
Gilbert or in neighboring East Valley communities.

As Gilbert grows, it will be able to consider modifying land uses and
adding or expanding transit service and bicycle routes as a companion

1 **to road widening in corridors where such alternatives make sense. A**
2 **range of transit investment scenarios will be outlined to identify the**
3 **costs and benefits of investing in transit as a complement to roadway**
4 **system expansion to help mitigate congestion (e.g., where are transit**
5 **services and bicycle routes likely to be most heavily used and what**
6 **facilities will be needed to support them?) The plan will also identify**
7 **transit investment “triggers” as different levels of road congestion are**
8 **reached over time, including any role to be played by development**
9 **interests in providing needed transit improvements as part of new**
10 **infrastructure development in the area.**

11 **The end product of the proposed assessment and service plan**
12 **development will provide basic transportation investment and planning**
13 **alternatives to meet Gilbert’s specific travel needs and coordinate them**
14 **with adjacent East Valley plans. This will provide a basis for a near**
15 **term plan as well as longer term plans if any broader transit or**
16 **alternative mode strategies are necessary in later years.**

17 **A project kick-off meeting was held with the technical advisory**
18 **committee on June 12, 2002 with the following invitees:**

19 **Tami Ryall, Assistant to the Town Manager, Town of Gilbert***
20 **Bruce Ward, Town Traffic Engineer, Town of Gilbert***
21 **Jerry Swanson, Planning Director, Town of Gilbert**
22 **Cynthia Seelhammer, Town Manager, Town of Queen Creek**
23 **Mike Normand - Transportation Services and Transit Manager, City of**
24 **Chandler***
25 **Carlos de Leon - Transit Manager, City of Tempe***
26 **Jim Wright - Transit Administrator, City of Mesa**
27 **Jeff Martin, Assistant Development Services Manager, City of Mesa**
28 **Bill Sapper - Transit Team Leader, ADOT**
29 **Tim Oliver - Systems Planning Manager, MCDOT**
30 **Julie Romig – Analyst, MCDOT***
31 **Roger Herzog, Senior Project Manager, MAG**
32 **Dawn Coomer, Multimodal Planning Manager, MAG***
33 **Teri Collins, Principal Transit Planner, RPTA***
34 **Beth Haldane, Account Executive, RPTA***
35 **Steve Hogan, Parsons Brinkeroff Quade & Douglas, Inc***
36 **Gregg Snyder, Parsons Brinkeroff Quade & Douglas, Inc***
37 **Herjinder Hawkins, Manager, Environmental Projects, SRP***
38 *** Indicates those in attendance**

- 39 13. Within six months of approval of this Order by the Arizona Corporation
40 Commission, Applicant shall either relocate the gas metering facilities to the
41 interior of the plant site or construct a solid wall between the gas metering
42 facilities at the plant site and Warner Road. The wall shall be of such
43 strength and size as to deflect vehicular traffic (including a fully loaded
44 concrete truck) that may veer from Warner Road to the gas-metering site.
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1 ***Status ~ SRP has completed and placed in service the new gas metering***
2 ***station near the south boundary of the plant property. The old metering***
3 ***station has been removed. El Paso Natural Gas Company has also***
4 ***removed the portion of the pipeline that ran along the north boundary of***
5 ***the plant property.***

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

11 ***Status ~ No update or change from April 2002 quarterly report status.***

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

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

- 16 16. Applicant agrees to maintain on file with the Town of Gilbert safety and
17 emergency plans relative to emergency conditions that may arise at the
18 plant site. On at least an annual basis Applicant shall review and update, if
19 necessary, the emergency plans. Copies of these plans will be made
20 available to the public and on Applicant's web site. Additionally Applicant
21 will cooperate with the Town of Gilbert to develop an emergency notification
22 plan and to provide information to community residents relative to potential
23 emergency situations arising from the plant or related facilities. Applicant
24 agrees to work with the Gilbert police and fire departments to jointly develop
25 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 ~ SRP has met with the Town of Gilbert to discuss the
transportation, storage and use of aqueous ammonia at the Santan
Expansion Project. SRP also met with the Maricopa County Local
Emergency Planning Committee (LEPC) to discuss preliminary plans for
aqueous ammonia transportation and storage.

SRP will update its emergency plans to include response procedures for
aqueous ammonia spills in accordance with federal regulations. This plan
will be updated and provided to the Town of Gilbert and other appropriate
agencies prior to any aqueous ammonia being brought on site.

Due to the physical and chemical properties of 19% aqueous ammonia,
evacuation plans may not be necessary to ensure the safety of on-site
and off-site workers. SRP will continue to work with the Town of Gilbert in
evaluating the appropriateness of evacuation plans.

1 **Highly trained agencies, such as the Town of Gilbert Fire Department and**
2 **coordinating area fire departments that include HAZMAT (hazardous**
3 **materials) units, are the appropriate agencies to respond to an emergency**
4 **at the Santan site. Consequently, it would be inappropriate for SRP to**
5 **dictate the response for an emergency situation.**

6 **SRP does and will continue to comply with all proven standards for safety**
7 **including secondary containment for bulk materials (chemicals) and**
8 **development of evacuation procedures for plant personnel. A detailed**
9 **copy of the response plan is available at the Town of Gilbert Fire**
10 **Department as well as with the state emergency response committee (the**
11 **LEPC).**

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

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

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

20 **Status ~ No update or change from April 2002 quarterly report status.**

- 21 19. Beginning upon operation of the new units, Applicant will establish a citizens'
22 committee, elected by the CWG, to monitor air and noise compliance and
23 water quality reporting. Applicant will establish on-site air and noise
24 monitoring facilities to facilitate the process. Additionally Applicant shall
25 work with Maricopa County and the Arizona Department of Environmental
Quality to enhance monitoring in the vicinity of the plant site in a manner
acceptable to Maricopa County and the Arizona Department of
Environmental Quality. Results of air monitoring will be made reasonably
available to the public and to the citizens' committee. Applicant shall provide
on and off-site noise monitoring services (at least on a quarterly basis),
testing those locations suggested by the citizens' committee. The off-site air
monitoring plan shall be funded by the Applicant and be implemented before
operation of the plant expansion.

**Status ~ SRP has hired an air quality monitoring specialist to develop
and implement a plan for monitoring ambient air quality at or near the
Santan Generating Station. The proposed plan will be presented to
Maricopa County and ADEQ in October 2002. The air monitoring plan
will then be presented to the Citizen's Committee in the Fall of 2002.**

20. Applicant will explore, and deploy where reasonably practicable, the use of
available technologies to reduce the size of the steam plumes from the unit

1 cooling towers. This will be a continuing obligation throughout the life of the
2 plant.

3 ***Status ~ SRP is exploring the option of reduced plume cooling towers***
4 ***via the specification and bidding process for this equipment. The***
5 ***cooling tower specification was recently distributed to a list of***
6 ***approved bidders.***

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

12 ***Status ~ SRP and its gas pipeline consultants continue to work on the***
13 ***development activities related to design and construction. Work is also***
14 ***continuing on the selection of a preferred route for the line. The route***
15 ***selection process includes consideration of paths that are shared with***
16 ***or parallel to the railroad. Right of way procurement will commence***
17 ***later in 2002.***

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

24 ***Status ~ No update or change from April 2002 quarterly report status.***

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27
28 23. Applicant will replace all Town of Gilbert existing street sweepers with
29 certified PM10 efficient equipment. A PM10 efficient street sweeper is a
30 street sweeper that has been certified by the South Coast Air Quality
31 Management District (California) to comply with the District's performance
32 standards under its Rule 1186 (which is the standard referenced by the
33 Maricopa Association of Governments).

34 ***Status ~ SRP has delivered and dedicated two PM10 street sweepers to***
35 ***the Town of Gilbert. This replaces all of Gilbert's old street sweepers***
36 ***with new PM10 sweepers. The dedication ceremony took place on June***
37 ***28th at Town of Gilbert City Hall. Those in attendance at the dedication***
38 ***ceremony included the Mayor, City Manager, Council Members, SRP***
39 ***President and staff from both organizations.***

- 40
41
42
43 24. Applicant shall work in a cooperative effort with the Office of Environmental
44 Health of the Arizona Department of Health Services to enhance its
45 environmental efforts.

46 ***Status ~ No update or change from April 2002 quarterly report status.***

- 47
48
49
50 25. Applicant shall operate, improve and maintain the plant consistent with
51 applicable environmental regulations and requirements of the Environmental
52 Protection Agency, the Arizona Department of Environmental Quality,
53 Maricopa County and the Town of Gilbert.

- **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 offsite design plan is being developed. See Condition 7 status for more details.**

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 ~ SRP will satisfy this condition by completing the on-site and off-site landscaping plans. While plans are not complete, there are provisions for creating attractive landscaping with trees, shrubs and gabion and terrace walls on the berm. In addition, the following item has been implemented since the January report to also maximize the positive effect on the surrounding neighborhoods.

- **SRP has provided \$50,000 to Silverstone Ranch in response to a request by homeowners' associations adjacent to the Santan Generating Station and then Mayor Dunham. This fund was created in recognition of the HOAs' desire to improve their community prior to the plant expansion. SRP previously provided \$50,000 to each of the following four associations as directed by the Mayor: Western Skies, Cottonwoods Crossing, Finley Farms South, and Rancho Cimarron. Silverstone Ranch is the final association to be included in this fund as directed by then Mayor Dunham.**

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 April 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 ~ The plant design reflects the 15-foot deep pit for the main power block equipment. The pit will be excavated in the 4th quarter of 2002. The HRSG specification reflects the height limitation for the HRSG module.

1 ***SRP is engaged in discussions with the HRSG vendor for this equipment.***

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

4 **Status ~ No update or change from April 2002 quarterly report status.**

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

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

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

12 **Status ~ No update or change from April 2002 quarterly report status.**

13 GRANTED this ____ day of February, 2001

14 ARIZONA POWER PLANT AND TRANSMISSION
15 LINE SITING COMMITTEE

16 _____
17 By Paul A. Bullis
18 Its Chairman

18 **BEFORE THE ARIZONA CORPORATION COMMISSION**

19
20 In the matter of the Application of Salt)
21 River Project Agricultural Improvement and)
22 Power District in conformance with the)
23 requirements of Arizona Revised Statutes)
24 Sections 40-360-03 and 40-360.06, for a)
25 Certificate of Environmental Compatibility)
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)

Case No. 105

Docket No. L-00000B-00-0105

Decision No. _____

1 cycle natural gas units, and associated)
2 intraplant transmission lines.)
3 _____)

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

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

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

16 ***Status ~ SRP submitted an amendment to the Air Quality Permit***
17 ***Application in May 2002. The amended permit application proposed the***
following Lowest Achievable Emission Rates:

- 18 • ***CO - 2 ppm w/o duct firing; 3 ppm w/duct firing***
19 • ***NOx - 2 ppm w/o ducting firing and 2 ppm w/duct firing***
20 • ***VOC - 1 ppm w/o duct firing and 4 ppm w/duct firing***
• ***PM10 - .01 lb/mmBtu***

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

23 ***Status ~ As a follow-up to last quarter's report, on May 7, 2002, SRP***
24 ***filed an amended Significant Permit Revision Application with the***
25 ***Maricopa County Environmental Services Department. The amended***
application removes the emergency fuel oil burning request. Copies of
relevant sections of the amended application are attached in Appendix
C.

In the last quarterly report, SRP reported on a recent position advocated by the FERC Advisory Staff that could impact the availability of natural gas for Arizona utilities if adopted by the FERC commissioners. On May 30, the FERC commissioners decided to eliminate the current “full requirement” contracts between El Paso and the southwestern states and ordered the parties to negotiate a new deal that would allow California a greater share of the gas transportation capacity. The actual impact on Arizona and SRP, specifically, has not been determined at this time. In light of these uncertainties, SRP is exploring other fuel options for use in emergency situations.

One option being explored is the use of ultra low sulfur fuel oil. SRP is in the exploratory phase of better understanding the use of this fuel. There are many technical issues that must be resolved prior to utilizing ultra low sulfur fuel oil during emergency situations at Santan Generating Station.

Fuel Oil Comparison

Ultra low sulfur fuel oil compares favorably to both low sulfur diesel and CARB diesel. Figure 1 shows the fuel oil comparison.

Figure 1: Comparison of Fuel Oil Characteristics

Property	Natural Gas	Low Sulfur Diesel	CARB Diesel	Ultra Low Sulfur Fuel Oil
Sulfur (ppm)	7.8 Ave ¹	500 Max ²	500 Max ²	15 Max ³
Nitrogen (ppm)	unknown ⁵	230 Ave ⁴	98 Ave ⁴	10 Max ³
Aromatics (%)	unknown ⁵	32 Ave ⁴	18.9 Ave ⁴	12 Max ³
Delivered Cost/MMBTU	\$2.50-\$3.50	\$5.50-\$6.25	\$5.60-\$6.30	\$6.95-\$7.45
Delivery Mode	pipeline	pipeline/truck	truck	truck

¹ Average of deliveries made by El Paso to Arizona.
² Maximum per CARB/EPA rules.
³ Maximum per manufacturer specification.
⁴ Market averages. Actual content varies by formulation/refinery.
⁵ Natural gas is not normally tested for these constituents.

Technical Issues

SRP has preliminarily identified the following technical issues that need to be resolved prior to consideration of utilizing ultra low sulfur fuel oil at Santan:

- a. **Utilizing Ultra Low Sulfur Fuel Oil after a DLN (Dry low NOx) conversion.** The power industry has experienced difficulty with reliable liquid fuel operation with DLN systems. Due to the complexity of the DLN combustion hardware, SRP requires the assistance of General Electric (GE), the manufacturer, to start-up the DLN liquid fuel system at Santan.

1
2 **b. Assessment of ultra low sulfur fuel oil combustion and emission**
3 **characteristics** – No other utility (to our knowledge) has burned the ultra low
4 sulfur fuel in a DLN system. As such, the actual emissions on ultra low sulfur
fuel oil are not known. SRP has requested that the manufacturer burn the
fuel in its test lab in a DLN test rig to provide expected emissions and
combustion characteristics.

5 **c. Assessment of ultra low sulfur fuel oil physical properties** - SRP has
6 completed testing of one sample of the fuel. Concerns over variability in the
7 fuel properties warrant additional testing to either validate uniformity or
provide a range of properties.

8 **As stated earlier, SRP is still in the exploratory phases of this analysis**
9 **and if any formal steps are indicated, SRP will follow the appropriate**
10 **permitting and public process.**

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

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

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

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

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

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

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

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

