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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE,
CHAIRMAN
BOB STUMP,
COMMISSIONER
SANDRA D. KENNEDY,
COMMISSIONER
PAUL NEWMAN,
COMMISSIONER
BRENDA BURNS,
COMMISSIONER

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IN THE MATTER OF THE APPLICATION
OF SALT RIVER PROJECT
AGRICULTURAL IMPROVEMENT AND
POWER DISTRICT IN CONFORMANCE
WITH THE REQUIREMENTS OF
ARIZONA REVISED STATUTES
SECTIONS 40-360-03 AND 40-360.06, FOR
A 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.

No. L-00000B-00-0105-00000

**SRP'S COMPLIANCE FILING
REGARDING CONDITION 38 OF
THE CERTIFICATE OF
ENVIRONMENTAL
COMPATIBILITY**

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I. INTRODUCTION

The Salt River Project Agricultural Improvement and Power District (SRP) makes this filing in compliance with Condition 38 of the Certificate of Environmental Compatibility (CEC) for the expansion of the Santan Generating Station, Decision Number 63611 (the "Santan Expansion CEC"). Pursuant to Condition 38, SRP is required to perform an air emissions assessment of the plant and file a report with the Arizona Corporation Commission (ACC) identifying any changes to the plant or its operations that would reduce air emissions. ACC staff is then required to issue findings on the report including an economic feasibility study of the identified changes within sixty (60) days. Condition 38 then requires SRP to install any

1 identified air emission controls within 24 months of the filing date, absent an order from the
2 ACC directing otherwise.

3 SRP has completed the required assessment and is seeking a Commission order stating
4 that no additional air emission controls are required at the Santan Generating Station at this time.
5 SRP further requests that the Commission address certain ambiguities in Condition 38 by
6 providing implementation guidance for future reviews to SRP and Staff.
7

8 **II. DESCRIPTION OF THE SANTAN GENERATING STATION AND THE** 9 **EXPANSION PROJECT**

10 The Santan Generating Station was originally constructed in the mid-1970s in Gilbert,
11 Arizona near the intersection of Val Vista Drive and Warner Road. The initial plant consists of
12 four units, each of which has a General Electric (GE) combustion turbine (CT), heat recovery
13 steam generator (HRSG), and steam turbine. The combined generating capacity of these four
14 "Legacy Units" is approximately 368 MW. In the early 2000s, SRP significantly reduced
15 emissions from the Legacy Units by adding Dry Low-NO_x Burners (DLN1) to reduce nitrogen
16 oxide (NO_x) emissions and oxidation catalysts to reduce carbon monoxide (CO) emissions.

17 In the late 1990s in response to significant growth, particularly in the southeast valley,
18 SRP applied to expand the Santan Generating Station. On May 1, 2001, the ACC issued a CEC
19 approving the Santan Expansion Project. The Santan Expansion Project involved the addition of
20 two units capable of generating nominally 825 MW, with seasonal variations. Unit 5 consists of
21 two GE 7FA CTs (Units 5A and 5B) with low NO_x combustors, two supplementary fired HRSGs
22 with oxidation and Selective Catalytic Reduction (SCR) catalysts for CO and NO_x control,
23 respectively, and one steam turbine. Unit 5 was commissioned in 2005. Unit 6 consists of one
24 GE 7FA CT with low NO_x combustors, one HRSG with oxidation and SCR catalysts for CO and
25 NO_x control, respectively, and one steam turbine. Unit 6 was commissioned in 2006.
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1 Environmental controls on both Units 5 and 6 are state-of-the-art and meet or exceed all
2 applicable air quality requirements.

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4 **III. CONDITION 38 REQUIRES A REVIEW OF EMISSIONS FROM THE PLANT
EVERY FIVE YEARS.**

5 Due to its location within a residential community that developed around the plant in the
6 late 1990s, the community was actively engaged in the siting process for the expansion project.
7 The CEC includes 41 conditions, many of which address visual and emission mitigation
8 measures for the generating station. SRP invested over \$20,000,000 in mitigation enhancements
9 at the plant and in the surrounding community including, but not limited to, extensive screening
10 and landscaping of the plant, off-site landscaping measures in nearby neighborhoods, equestrian
11 and bike trails, improvements to Warner Road and Val Vista Drive, school bus fleet conversions
12 and street sweeper replacements.

13 One of the conditions, Condition 38, requires SRP to conduct a review of the plant
14 operations and equipment every five years to identify potential improvements to reduce plant
15 emissions. Condition 38 states:

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

23
24 The Santan Expansion Project was completed in 2006. As a result, this is SRP's first
25 filing in compliance with the requirements of Condition 38.

1 **IV. SARGENT AND LUNDY CONDUCTED AN EXTENSIVE ANALYSIS OF THE**
2 **SANTAN GENERATING STATION EMISSIONS AND RECOMMENDS NO**
3 **CHANGES TO OPERATIONS OR MAINTENANCE PRACTICES OR**
4 **ADDITIONAL AIR EMISSIONS CONTROLS.**

5 To satisfy the requirements of Condition 38, SRP retained Sargent and Lundy, LLC
6 (S&L) to conduct an emissions assessment for the Santan Generating Station. The result of that
7 assessment is attached as Exhibit A, the "Salt River Project Santan Generating Station, Santan
8 Emissions Assessment Report dated June 3, 2011." Using a process similar to what an
9 environmental regulatory agency would use to determine if air emission controls are necessary
10 for a new or significantly modified facility, S&L reviewed the emission control technologies on
11 generating units 1 through 6 and other emission sources at the facility including the cooling
12 towers, emergency engines, abrasive blasting equipment and fuel storage tanks. S&L
13 determined that the current controls are appropriate and recommends no additional control
14 technologies at the Santan Generating Station at this time.

15 According to the report, Units 5 (5A and 5B) and 6, permitted under the Santan
16 Expansion CEC, are already equipped with state-of-the-art controls that would be required if
17 they were permitted and constructed today. The report also recommends no changes to the
18 cooling towers, emergency engines, abrasive blasting equipment or fuel storage tanks because
19 either (1) appropriate controls are already in place or (2) the use of the equipment is minimal and
20 additional controls would not be practical or cost-effective. In addition, S&L's assessment did
21 not find any opportunities where a change in operations and maintenance practices would help
22 reduce air emissions. The report identified potential changes to the Legacy Units that would
23 reduce NOx and CO emissions, but recommended no additional controls at this time as the cost
24 of such technologies far outweigh the benefits.
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1 **a. S&L's NO_x assessment demonstrates that additional NO_x controls are not**
2 **cost-effective at this time.**

3 The NO_x control technology assessment performed for the Legacy Units identified three
4 control options that are considered technically feasible: (1) combustor upgrades; (2) SCR
5 system; or (3) SCR system and combustor upgrades. S&L performed an economic evaluation
6 for each NO_x control option.

7 The cost-effectiveness of controls was assessed on a dollar-per-ton removed basis. Table
8 1 shows the average cost-effectiveness for each NO_x control option.

9 **Table 1. Summary of NO_x Control Evaluation for Units 1-4⁽¹⁾**

10 Control Technology	11 Total Emissions Reduction (tpy)	12 Total Capital Cost (\$)	13 Total Annual O&M Cost (\$/year)	14 Total Annual Costs (\$/year)	15 Average Cost-Effectiveness (\$/ton)
16 SCR + Combustor Upgrades	154.5	\$69,560,000	\$3,802,000	\$11,490,000	\$74,369
17 SCR	154.5	\$49,612,000	\$3,751,000	\$9,235,000	\$59,773
18 Combustor Upgrades	103.1	\$19,948,000	\$75,000	\$2,279,000	\$22,104

19 ⁽¹⁾ Values presented are combined totals for Santan Generating Station Units 1-4.

20 As shown above, the average cost-effectiveness of the NO_x control options for Units 1-4
21 range from \$22,104 to \$74,369 per ton. The average cost to reduce emissions is high because the
22 total annual cost of the control technology is significant while the emission reductions are
23 minimal. This is because current emissions from the units are already very low due to the
24 emission control improvements SRP installed in the early 2000s and the limited use of these
25 units.

26 As noted in the S&L report, although specific thresholds for cost-effectiveness are not
 broadly defined by permitting authorities, they often identify levels at which controls are

1 considered cost-effective on a project-specific basis. Based on S&L's review of publicly available
 2 evaluations, they concluded that it is fairly common for agencies to consider NOx control options
 3 not cost-effective at levels exceeding \$10,000 per ton NOx removed. The average cost-
 4 effectiveness for the identified NOx control technologies ranges from approximately \$22,104 per
 5 ton (combustor upgrades) to \$74,369 per ton (SCR and combustor upgrades). The least cost
 6 technological NOx control option is more than double the typical threshold. Therefore, the
 7 additional control options that were identified are considered cost-prohibitive at this time.

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 9 **b. S&L's CO assessment demonstrates that additional CO controls are not
 cost-effective at this time.**

10 The CO control technology assessment identified three options that are considered
 11 technically feasible: (1) combustor upgrades; (2) upgraded oxidation catalyst system; and (3)
 12 upgraded oxidation catalyst system and combustor upgrades.

13 Cost-effectiveness of controls was assessed on a dollar-per-ton removed basis. Table 2
 14 shows the average annual cost-effectiveness for each CO control option.

15
 16 **Table 2. Summary of CO Control Evaluation for Units 1-4⁽¹⁾**

17 Control Technology	18 Total Emissions Reduction (tpy)	19 Total Capital Cost (\$)	20 Total Annual O&M Costs (\$/year)	21 Total Annual Costs (\$/year)	22 Average Cost-Effectiveness (\$/ton)
23 CO Catalyst System Upgrades	24.9	\$7,784,000	\$731,000	\$1,591,000	\$63,895
24 CO Catalyst System Upgrades and Combustor Upgrades	24.9	\$27,732,000	\$804,000	\$3,868,000	\$155,341
25 Combustor Upgrades and Existing CO Catalyst System	4.9	\$19,948,000	\$73,000	\$2,277,000	\$464,694

26 ⁽¹⁾ Values presented in table are combined totals for the Santan Generating Station Units 1-4.

1 The information above shows that the average annual cost-effectiveness of the CO
2 control options for Units 1-4 ranges from \$63,895 to \$464,694 per ton. The average annual cost
3 to reduce emissions is high because the total annual cost of the control technology is significant
4 while the emission reductions are minimal. As with the NOx controls, this is because emissions
5 from the units are already very low due to the emission control improvements SRP installed in
6 the early 2000s and the limited use of these units.

7 As noted in the S&L report, although specific thresholds for cost-effectiveness are not
8 generally defined by permitting authorities, these agencies often identify levels at which controls
9 are considered cost-effective on a project-specific basis. Based on its review of publicly
10 available evaluations, S&L concluded that it is fairly common for agencies to consider CO
11 control options "cost prohibitive" at levels exceeding \$4,000 per ton CO removed. The average
12 cost-effectiveness for the identified CO control technologies ranges from approximately \$63,895
13 per ton (CO catalyst upgrades) to \$464,694 per ton (CO combustor upgrades and existing CO
14 catalyst system). Therefore, the additional control options that were identified are considered
15 cost-prohibitive at this time.

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17 **VII. IN ADDITION TO THE S&L RECOMMENDATIONS, OTHER REASONS**
18 **EXIST FOR NOT REQUIRING ADDITIONAL CONTROLS AT THIS TIME.**

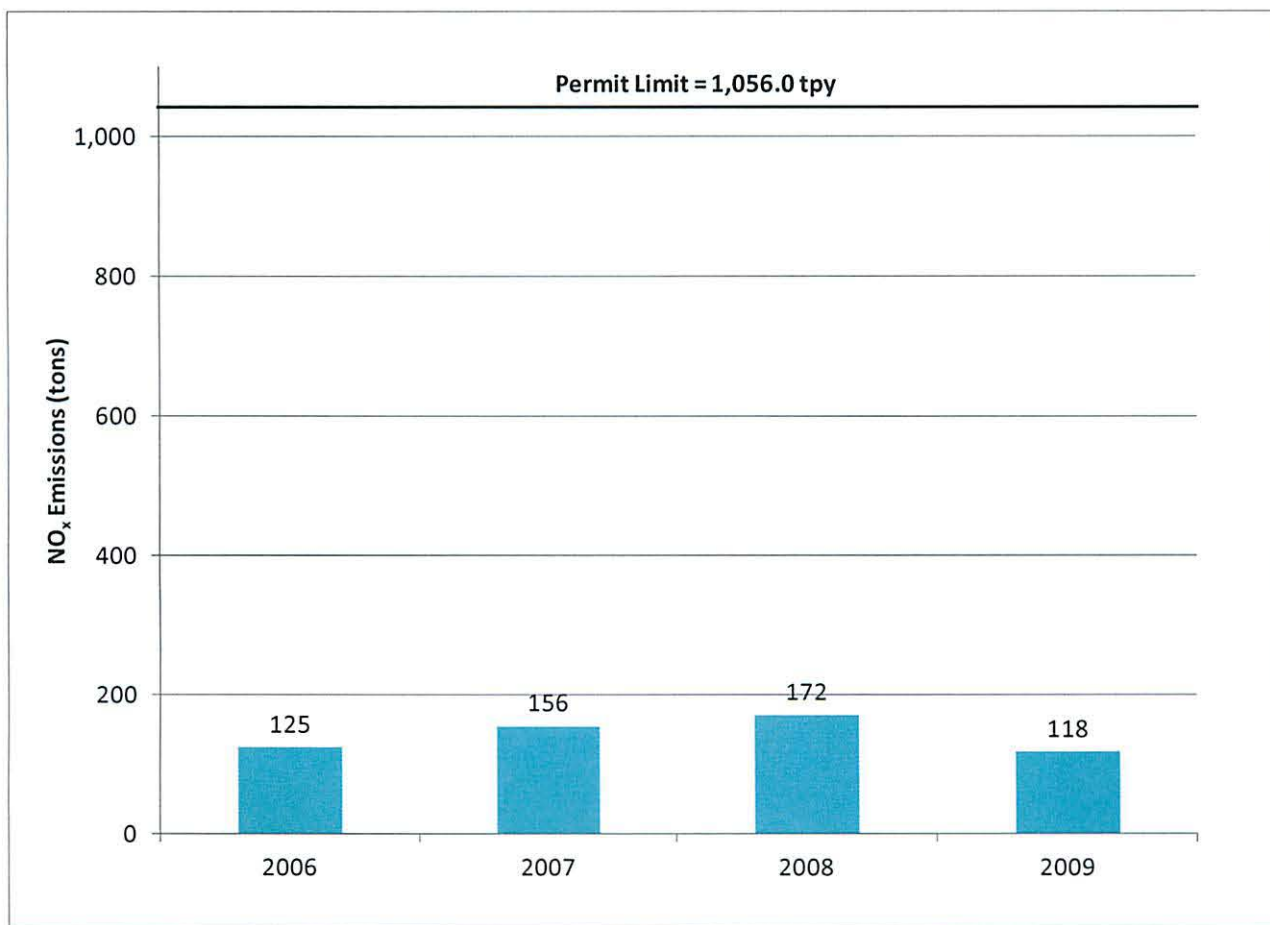
19 **a. Emissions are well below the permitted amounts.**

20 The Santan Generating Station currently operates pursuant to an air quality operating
21 permit issued by the Maricopa County Air Quality Department (MCAQD). The permit includes
22 the combined emission limits for the Legacy Units and separate combined emission limits for
23 Units 5A, 5B and 6. The permit was issued in conjunction with the Santan Expansion Project.
24 With the advanced technology associated with the new units and the installation of emission
25 controls on the Legacy Units, the plant's nominal capacity increased approximately 825 MW
26

1 with a decrease in total actual emissions. MCAQD included the combined emission limits for
2 the entire plant in the permit to make the emission reductions associated with the Santan
3 Expansion Project enforceable.

4 Since the completion of the new units, actual emissions from the Santan Generating
5 Station have remained well below the combined emission limits for all regulated pollutants. To
6 illustrate this point, Figure 1 shows NO_x emissions in comparison with the permit limits for each
7 year since the expansion project was completed. The plant emits less than 20% of the permitted
8 levels of NO_x. Because emissions are well below the permitted limits, the additional control
9 options evaluated in this report are not necessary at this time.

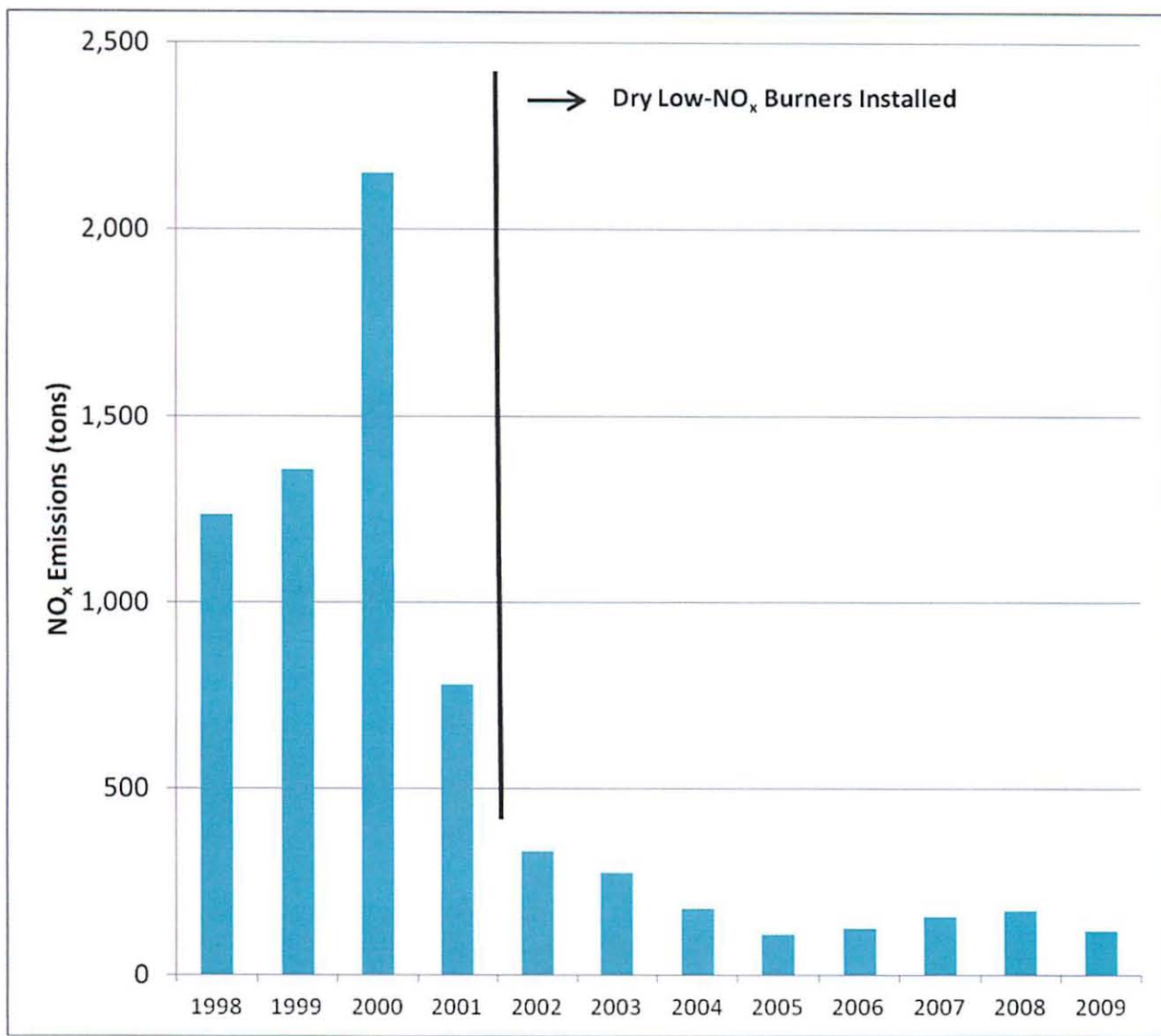
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11 **Figure 1. Comparison of Emissions with Permit Limit**



b. The Emissions from the Legacy Units have already been significantly reduced.

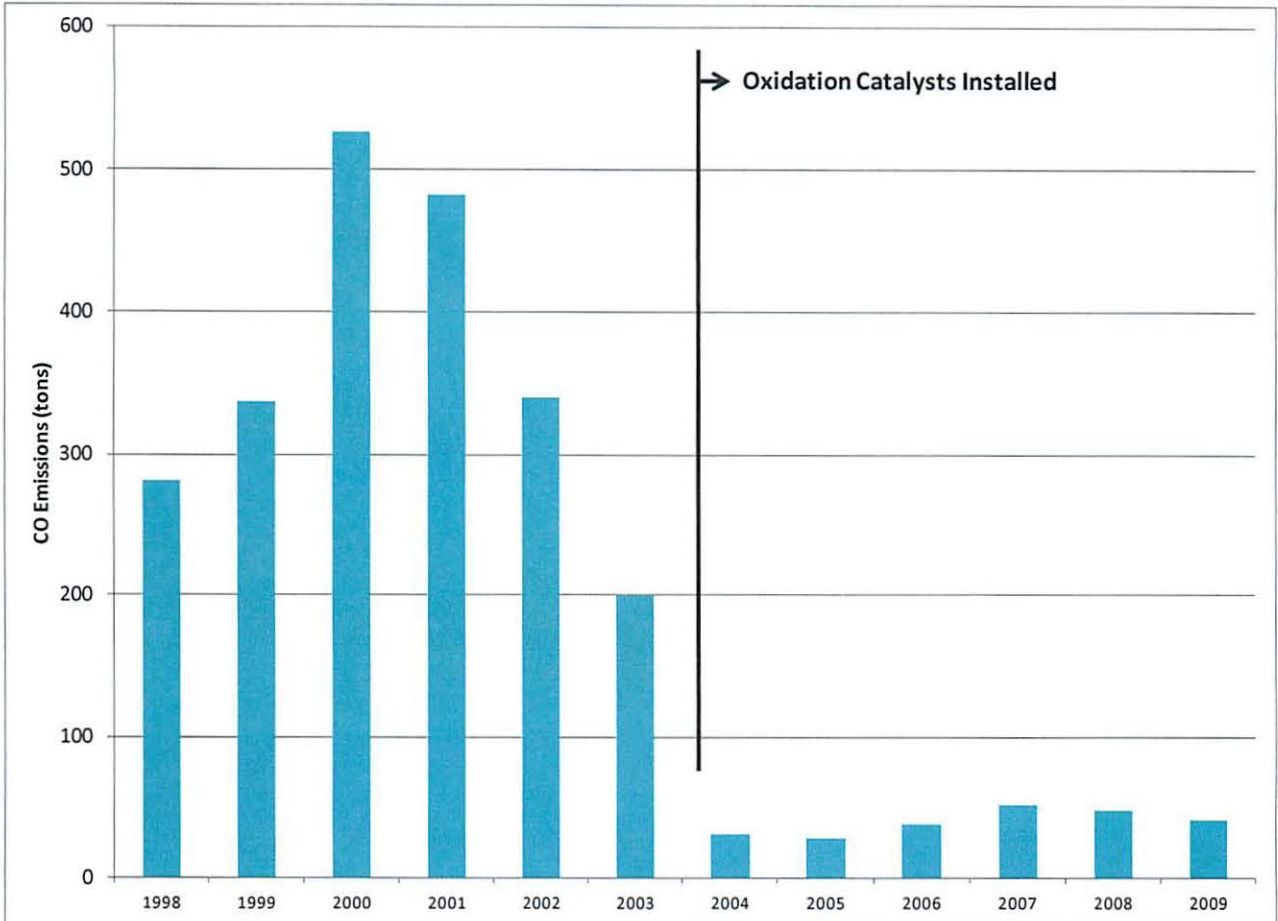
Since commencement of operation in the early 1970s, emissions from the Santan Generating Station have decreased substantially. As previously stated, an emission control project was completed in the early 2000s in which the Legacy Units were retrofitted with Dry Low-NO_x Burners (DLN1) to reduce NO_x and oxidation catalysts to reduce CO emissions. The decrease in NO_x emissions from the Legacy Units as a result of the emissions control project is shown in Figure 2. In 2000, NO_x emissions from the Legacy Units exceeded 2,000 tons. After the installation of DLN1 controls, emissions from the Legacy Units decreased significantly, averaging 136 tons per year over the last 5 years (2005-2009).

Figure 2. NO_x Emissions from Units S1 through S4



The same is true for CO emissions. Figure 3 shows the CO emissions from the Legacy Units before and after oxidation catalysts were installed. The CO emissions were significantly reduced following the installation of the oxidation catalysts on the Legacy Units.

Figure 3. CO Emissions from Units S1 through S4



c. The Legacy Units are not used very often, further limiting emissions.

The emission controls added in the early 2000s had a significant impact on the amount of NOx and CO released by the plant. Another contributing factor was the plant's low capacity factor. Capacity factor is the ratio of the actual output of a power plant divided by its potential output. For example, a 100% annual capacity factor would indicate that a unit was online producing power at full load for the entire year. The annual average capacity factor for the Legacy Units was 10.6% over the past 5 years and, during the last two years, dropped to just 7.5%.

1 While they do not operate very often, the Legacy Units provide critical power during
2 peak times and are essential to maintaining the reliability of SRP's generation and transmission
3 system. Due to their fast startup, 90 minutes or less, these units are often called upon to help
4 meet peak power demand. These units also provide stability to the overall electrical system and
5 could be needed to provide power when a larger, slower starting coal unit trips offline. Given
6 their quick startup time, these units also are beneficial for voltage control throughout the
7 transmission system.

8 Although they are an essential part of SRP's generation portfolio, the operation of these
9 units is minimal and emissions remain well below the permitted levels.

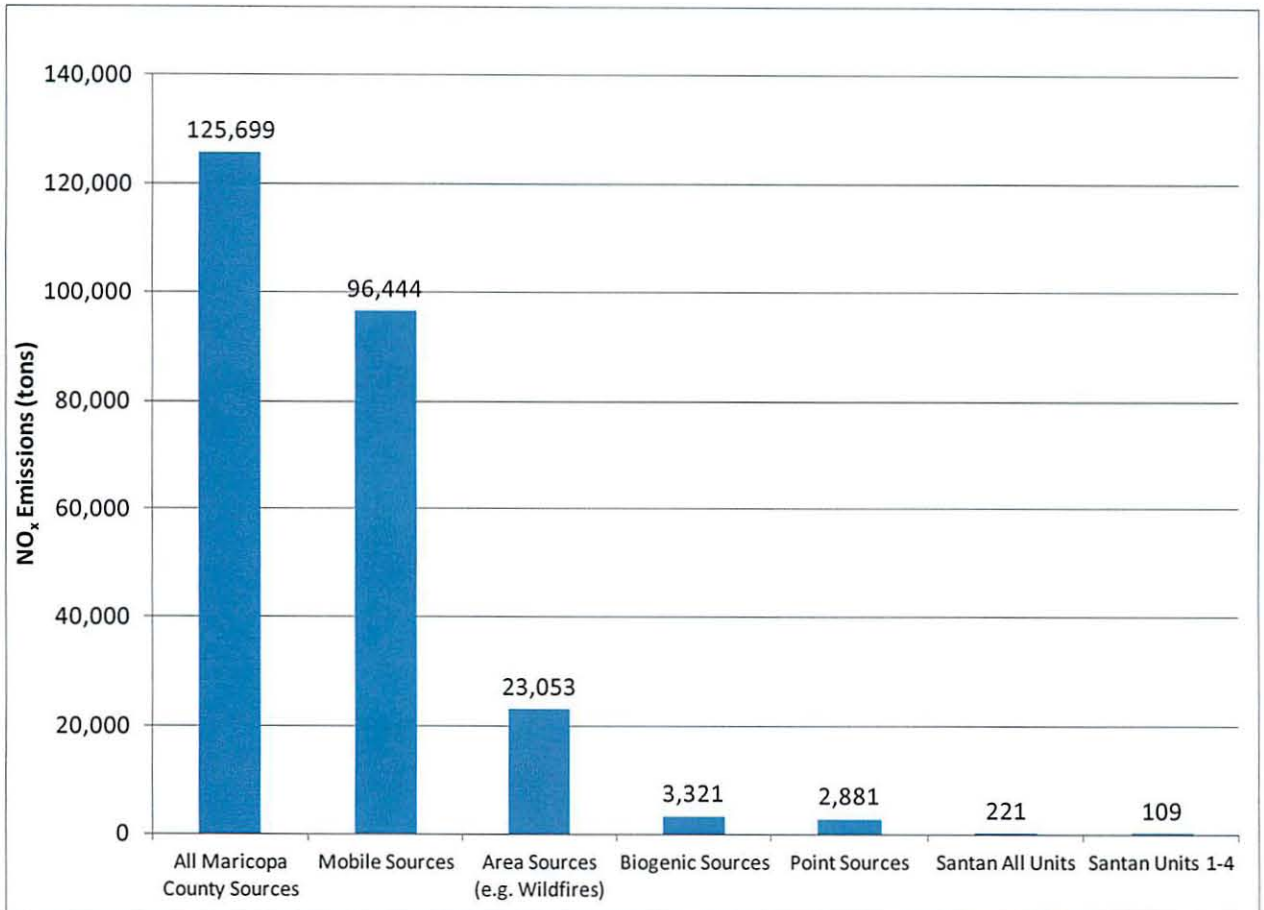
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11 **d. Since no additional emission controls are recommended, externalities are not
12 implicated.**

13 Externalities are typically referred to as hidden costs such as societal implications
14 associated with power generation technologies. Externalities are often discussed in the context
15 of a decision to build a new power plant. SRP's proposal does not have any associated
16 externalities since no changes at the Santan Generating Station are recommended at this time.

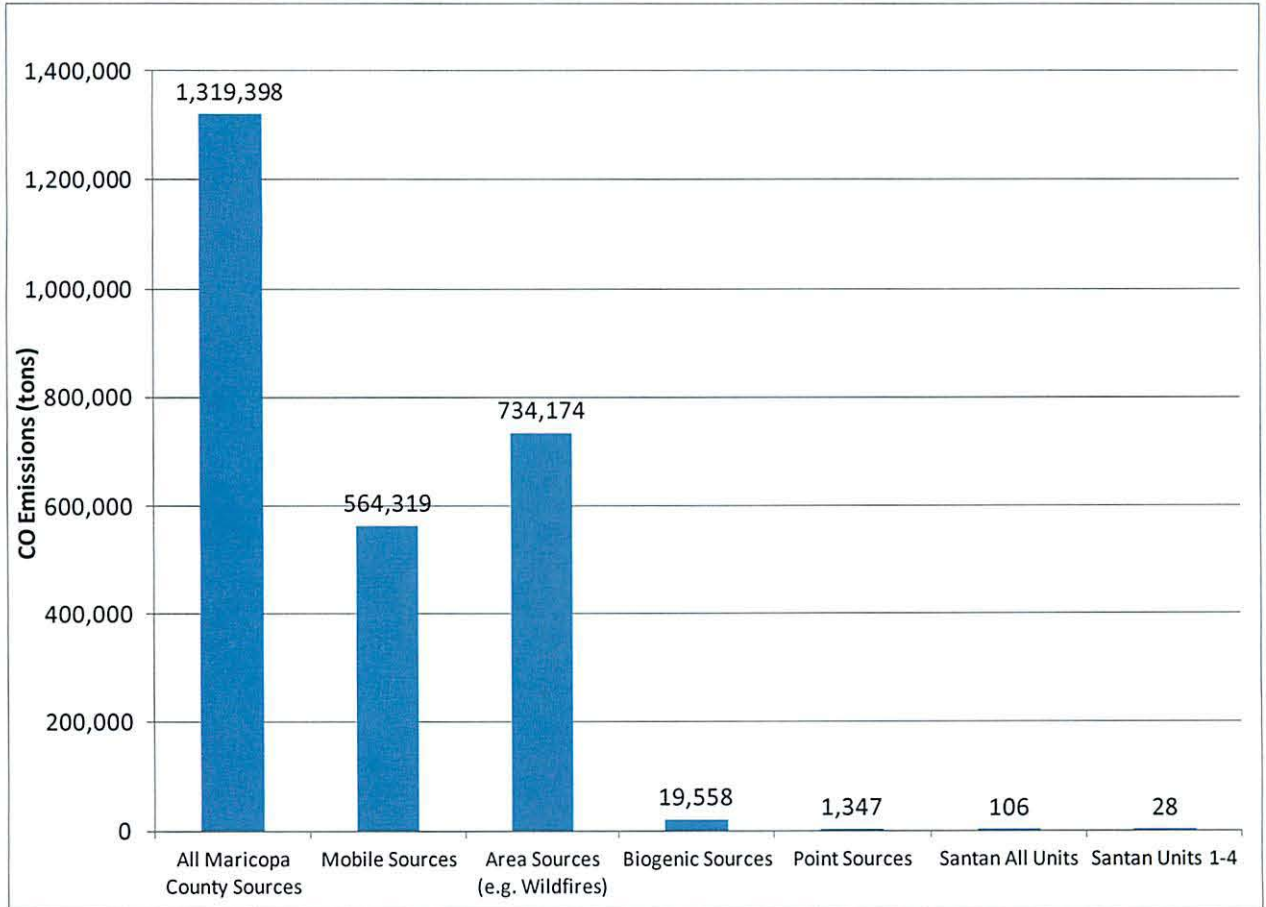
17 **e. The Legacy Units emit a relatively small quantity of NOx or CO emissions
18 compared to other sources in Maricopa County.**

19 To provide perspective on the impact of the Legacy Units at the Santan Generating
20 Station to air quality in Maricopa County, Figures 4 and 5 compare actual NOx and CO
21 emissions from Units 1 through 4 with other NOx and CO emission sources in Maricopa County,
22 respectively. The data in these charts was obtained from the most recent NOx and CO emission
23 inventories compiled by MCAQD for calendar year 2005. As can be seen in these figures, NOx
24 emissions from the Legacy Units account for less than 0.1% of total emissions in Maricopa
25 County, and CO emissions from the Legacy Units account for less than 0.01% of total emissions
26 in Maricopa County.

Figure 4. Comparison of Emissions with Other Maricopa County NO_x Sources



1 **Figure 5. Comparison of Emissions with Other Maricopa County CO Sources**



17 Therefore, the control options evaluated in this report are unlikely to have a measurable
18 impact on air quality in Maricopa County. This further supports the conclusion that no
19 additional controls are justified at this time.

20 As SRP determines the need for the development of future generating stations in the
21 Valley to meet SRP's future load growth, SRP may need to identify and acquire emission offsets
22 by adding emission controls to existing facilities. Should offsets be required, SRP would
23 anticipate assessing the Santan Generating Station with other available opportunities to
24 determine if offsets are feasible.

1 **f. The Santan Neighborhood Committee supports the S&L recommendations.**

2 SRP presented the S&L report to the Santan Neighborhood Committee which is
3 comprised of representatives from the nearby homeowner associations, county residents and
4 government officials. The committee was formed as a condition of the CEC and monitors SRP's
5 compliance obligations with respect to noise and air quality. It also provides a forum for SRP to
6 inform neighbors of activities at the plant.

7 After reviewing the report, the committee issued a letter supporting S&L's
8 recommendation that SRP not be required to install additional air emission controls at this time.
9 A copy of this letter is attached to this pleading.

10 **VIII. THE COMMISSION SHOULD ESTABLISH A MORE COMPREHENSIVE**
11 **IMPLEMENTATION PROCESS FOR CONDITION 38.**

12 SRP is seeking guidance from the Commission regarding the future implementation of
13 Condition 38. There are significant questions about how the compliance process should work
14 and whether the deadlines are feasible. SRP believes that some ambiguities exist in Condition 38
15 and meeting the established timelines is not possible.

16 Condition 38 provides:

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

27 As the Condition requires the installation of any identified improvements, it is unclear
28 what air emission control technologies SRP would be required to install. The current S&L report
29 identifies at least three different options for emission controls that could be installed on the
30

1 Legacy Units. Absent an order from the Commission, SRP would have no clear guidance on
2 what specific technologies to install and could arguably be required to install duplicative and
3 inconsistent technologies.

4 The Condition also requires the controls be implemented within 24 months of filing the
5 report with the Commission. Because of permitting, equipment acquisition and other
6 requirements, SRP believes that meeting this timeframe is not possible.

7 Prior to implementing changes at the Santan Generating Station, SRP is required to
8 submit an application for an air quality permit revision to MCAQD. There are several types of
9 permit revisions including minor and significant revisions. Minor revisions include a 45-day
10 EPA review period and, as a result, can require several months to complete. In the case of a
11 minor revision with pre-construction review, SRP cannot commence construction of the change
12 until a draft permit revision is issued by MCAQD. Significant revisions include a 45-day EPA
13 review and 30-day public notice period, and can often take over a year to complete. In the case
14 of a significant revision, SRP cannot commence construction of the change until the final permit
15 revision is issued. Although emission control projects can typically qualify for a minor revision,
16 the type of permit revision that is required is a decision that is made on a case-by-case basis by
17 MCAQD for each project.

18 There are several notable uncertainties surrounding the current timeframes in which
19 permit revisions can realistically be processed and issued by MCAQD. As a result of the
20 economic downturn, the air quality permitting staff at MCAQD has been reduced considerably.
21 Although their staff has generally been able to continue to issue permits in a timely manner, their
22 ability to do so is entirely dependent on the workload being managed and the complexity of the
23 permit revision requests.

24 Additional time may be necessary to stage the installation of any improvements to each
25 unit. As mentioned earlier in the report, the units are primarily used as peaking units to meet
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1 increased energy demands in the early evening during the summer and in the morning and
2 afternoon during the winter. If the construction work would place the units out of service during
3 these periods, the work would have to be staged, making it even more difficult to meet the 24-
4 month deadline.

5 It is also unclear when the five-year review would begin after new controls have been
6 implemented. The Condition does not specify if the review period continues based on the date
7 Units 5 and 6 were originally put into service or is now based on the in-service date of the new
8 controls. SRP suggests that the later date would be the most efficient to allow time for the
9 development of new emission control technology between reviews.

10 The intent of Condition 66 in the Springerville CEC, Case Number 74, Decision Number
11 65347, is similar to Condition 38. It requires a five-year review, a report identifying
12 improvements that would reduce emissions and a Staff assessment of the report. But installation
13 of the controls is only required if the Commission holds a hearing within 24 months of the filing
14 and determines if any of the improvements listed in the study are necessary and economically
15 feasible.

16 SRP seeks an order that would establish the following for future five-year reviews: (1)
17 the installation of any emission controls would only be required 48 months after an order issued
18 by the Commission identifying the specific air emission controls and directing their installation;
19 and (2) the in-service date of any new control technology or operating methodology will be the
20 effective date for the next five-year review period.

21 The foregoing changes would establish a clear implementation process without
22 modifying the intent of the condition. In addition, to address uncertainties related to the
23 timeframe needed to review and issue permit revisions, it is important that sufficient time is
24 allowed for SRP to obtain a permit revision to authorize any future emission reduction project
25 that might be pursued at the Santan Generating Station.

1 **IX. CONCLUSION**

2 Based on S&L's recommendations, the already low NOx and CO emissions from the
3 Legacy Units and their limited use, SRP has concluded that the potential improvements to the
4 Santan Generating Station are not cost-effective. Therefore, SRP respectfully requests the
5 Commission issue an order stating that no additional air emission controls are required at the
6 Santan Generating Station at this time.

7 SRP further requests that the Commission provide implementation guidance by ordering
8 (1) the installation of any emission controls based on future reviews would only be required 48
9 months after an order issued by the Commission identifying the specific air emission controls
10 and directing their installation; and (2) in the event new controls or a new operating methodology
11 is required, the in-service date of the new controls or operating methodology is the effective date
12 for the next five-year review period.

13
14 RESPECTFULLY SUBMITTED this 1st day of July, 2011.

15
16 SALT RIVER PROJECT AGRICULTURAL AND
IMPROVEMENT DISTRICT

17 By 

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8 **mailed this 1st day of July, 2011 to:**

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By Jana Brandt

June 8, 2011

Dear Commissioners:

On behalf of the Santan Neighborhood Committee, I am writing in support of Salt River Project's (SRP) request regarding Condition 38 in the Santan Expansion Certificate of Environmental Compatibility, Decision No. 63611 (the "CEC"). We support the recommendations of the Sargent and Lundy report that SRP should not be required to install additional air emission controls at the Santan Generating Station (SGS) at this time.

The Santan Neighborhood Committee was formed as a requirement of Condition 19 in the CEC. The Condition required SRP to establish a citizens committee to monitor air and noise compliance, and water quality reporting. The Committee is comprised of representatives from the Arizona Department of Health Services, Maricopa County Air Quality Department, the Town of Gilbert, adjacent homeowners associations (Cottonwood Crossings, Finley Farms South, Rancho Cimarron, Silverstone Ranch and Western Skies), the county island near SGS and a resident of Gilbert who is a registered professional engineer. Since its initial creation, the role of the Committee has expanded to provide a forum in which SRP advises the plant's neighbors on activities at SGS, and neighbors have an opportunity to provide feedback to SRP.

We have reviewed the Sargent and Lundy report. Based on the report, we agree that the costs associated with the identified improvements outweigh the benefits at this time. We do not think it is good use of resources to require additional emission controls on Units 1 through 4 when they have such limited use. We ask the Commission to continue to require five-year reviews in the event that conditions change and additional controls become cost effective in the future.

We thank the Commission in advance for your consideration of our recommendation.

Sincerely,



Ivy Gillo

Chair Santan Neighborhood Committee