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BEFORE THE ARIZONA CORPORATION COMMISSION

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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

**CLARIFICATION OF EXTERNALITY
ANALYSIS**

As part of the Arizona Corporation Commission ("ACC") Staff Report filed on August 29, 2011, Staff raised concerns about Salt River Project Agricultural Improvement and Power District's ("SRP") analysis of externalities related to the identified emission controls. SRP wishes to provide further explanation of its review of externalities in this matter.

On July 1, 2011, SRP submitted a compliance filing pursuant to Condition 38 of the Santan Generating Station Expansion Certificate of Compatibility (Docket No. L-00000B-00-0105-00000)¹. Staff filed its report on August 29, 2011. Staff concurred with SRP and SRP's

¹ Condition 38 states: "Beginning upon commercial operation of the new units, Applicant shall conduct a review of the Santan Generating facility operations and equipment every five years and shall, within 120 days of completing such review, file with the Commission and all parties in this docket, a report listing all improvements which would

1 consultant, Sargent & Lundy, that current emission controls at Santan are appropriate and that no
2 new controls are required at this time. Staff also concurred with SRP's request for guidance
3 regarding the future implementation of Condition 38 and recommended changes to Condition 38
4 in conformance with SRP's request.

5 However, Staff took exception with SRP's analysis of externalities associated with the
6 emission controls. Staff stated that SRP failed to appropriately consider the potential benefits of
7 emission controls and requested that the ACC order SRP to consider externalities in future
8 reviews.

9
10 Benefits related to the installation of any emission controls are only expected if there is an
11 improvement in ambient air quality resulting from the installation of those controls. As noted in
12 SRP's filing, no discernable change in ambient air quality is expected from the installation of any
13 of the control options evaluated. Nitrogen oxide (NO_x) emissions from the Legacy Units account
14 for less than 0.1% of total emissions in Maricopa County and carbon monoxide (CO) accounts for
15 less than 0.01%. Therefore, it is very unlikely that the installation of controls on the Legacy Units
16 would have a measurable impact on ambient air quality in Maricopa County or the area
17 surrounding the plant.

18
19 This conclusion is further supported by air quality monitoring data. As part of the Santan
20 Expansion Project ("SEP"), SRP installed an air quality monitoring station approximately two
21 miles from the plant. The purpose of the station was to determine whether the addition of the new
22 units associated with the SEP resulted in an adverse air quality impact in the area around the plant.
23

24 reduce plant emissions and the costs associated with each potential improvement. Commission Staff shall review the
25 report and issue its findings on the report, which will include an economic feasibility study, to the Commission within
26 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."

1 The station was installed in a direction relative to the plant that was determined to be associated
2 with the worst case meteorological conditions. The four years of air quality monitoring data
3 collected showed that the contribution of the plant to ambient air quality in the area around the
4 plant was not discernable.

5 Since the emission changes associated with the expansion of the plant were not
6 discernable, it is unlikely that any emission reductions resulting from the controls evaluated in
7 SRP's filing would have any measurable effect on ambient air quality or discernable ambient air
8 quality benefit. Accordingly, a more in depth analysis of externalities is not warranted or
9 necessary in this case and would not be expected to change the conclusions of SRP's review.
10

11 SRP understands Staff's desire to include an analysis of externalities in future reviews.
12 SRP is willing to conduct such an externalities analysis but SRP also believes the level of analysis
13 performed for this review is appropriate.

14
15 RESPECTFULLY SUBMITTED this 29th day of September, 2011.

16 SALT RIVER PROJECT AGRICULTURAL AND
17 IMPROVEMENT DISTRICT

18 By Robert R. Taylor

19 Robert R. Taylor
20 Salt River Project
21 P. O. Box 52025, PAB 221
22 Phoenix, AZ 85072-2025
23 Telephone (602) 236-3487

24 Kenneth C. Sundlof, Jr.
25 Jennings Strouss
26 1 East Washington St., Suite 1900
Phoenix, AZ 85004-2554
Telephone (602) 262-5946

1 **Original and 13 copies of the foregoing**
2 **filed this 29th day of September, 2011 with:**

3 Docket Control
4 Arizona Corporation Commission
5 1200 W. Washington
6 Phoenix, AZ 85007

7 **Copies of the foregoing hand delivered or**
8 **mailed this 29th day of September, 2011 to:**

9 Lyn Farmer, Chief Administrative Law Judge
10 Hearing Division
11 Arizona Corporation Commission
12 1200 W. Washington
13 Phoenix, AZ 85007

14 Janice Alward
15 Charles Hains
16 Legal Division
17 Arizona Corporation Commission
18 1200 W. Washington
19 Phoenix, AZ 85007

20 Steve Olea, Director
21 Utilities Division
22 Arizona Corporation Commission
23 1200 W. Washington
24 Phoenix, AZ 85007

25 Gary Yaquinto, President
26 AIC
2100 N. Central Avenue, Suite 210
Phoenix, AZ 85004

Timothy M. Hogan
Arizona Center for Law in the Public
Interest
202 E. McDowell Road, Suite 153
Phoenix, AZ 85004-4533

Mark Sequeira
2236 E. Saratoga Street
Gilbert, AZ 85296

1 Cathy Lopez
17 W. Vernon Ave., #11
2 Phoenix, AZ 85045

3 Michael Apergis
3915 E. Sunnydale Drive
4 Queen Creek, AZ 85142

5 Marshall Green
1751 E. Oranewood Street
6 Gilbert, AZ 85296

7 Charles Henson
8 2641 E. Libra St.
9 Gilbert, AZ 85234

10 Mark Kwiat
1501 S. Western Skies Drive
11 Gilbert, AZ 85296

12 Elisa Warner
660 W. Country Estates Ave.
13 Gilbert, AZ 85233

14 David Lundgreen
2866 E. Cullumber Ct.
15 Gilbert, AZ 85234

16 Cathy LaTona
17 1917 E. Smoke Tree Road
18 Gilbert, AZ 85296

19 Saretta Parrault
25042 S. Desert Flower Court
20 Sun Lakes, AZ 85248

21 Christopher Labban, DO
8358 E. View Crest Circle
22 Mesa, AZ 85207

23 Jennifer Duffany
24 19049 E. Cloud Rd.
25 Queen Creek, AZ 85142

26

1 Bruce Jones
2 9107 Anne Marie Blvd.
3 Grand Blanc, MI 48439

4 Dale Borger
5 2301 E. Millbrae Court
6 Gilbert, AZ 85234

7 Shane Donart
8 19402 E. Via del Palo
9 Queen Creek, AZ 85142

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17
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19
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21
22
23
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By Erica Hansen