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SALT RIVER PROJECT

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AZ CORP COMMISSION
DOCUMENT CONTROL

KELLY J. BARR, ESQ.

Manager, Regulatory Affairs & Contracts

April 30, 2004

Chairman Marc Spitzer
Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
Commissioner Mike Gleason
Commissioner Kristin K. Mayes
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

APR 30 2004

DOCKETED BY *flaw*

Re: Docket No. L-00000B-00-0105, Decision No. 63611

Dear Commissioners:

Enclosed please find SRP's tenth quarterly report on the status of the Santan project. This report provides up-to-date information and documentation on the status of SRP's efforts to comply with each condition contained in the Certificate of Environmental Compatibility (CEC).

As always, please feel free to contact me if you have any additional questions or concerns.

Sincerely,

Kelly J. Barr

Arizona Corporation Commission
DOCKETED

APR 30 2004

DOCKETED BY

Enc.

- cc: Lyn Farmer, Chief Administrative Law Judge (via Docket Control distribution)
- Ernest Johnson, Utilities Director (via Docket Control distribution)
- Brian Bozzo, Compliance and Enforcement Mgr. (via Docket Control distribution)
- Chris Kempley, Legal Director (via Docket Control distribution)
- Brian McNeil, Executive Secretary
- Docket Control – original plus 25 copies

Richard H. Silverman, General Manager
Richard M. Hayslip, Manager, Environmental, Land, Risk Management & Telecom

**SRP Santan
Expansion Project**

**Quarterly
Report**

APRIL 2004

The logo features the word "SANTAN" in a large, serif font, with a stylized mountain peak or roofline above it. Below "SANTAN" is a horizontal bar containing the words "EXPANSION PROJECT" in a smaller, sans-serif font.

**SANTAN
EXPANSION PROJECT**

**Prepared for
The Arizona Corporation Commission**

**Submitted by
Salt River Project**



QUARTERLY
UPDATE

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.)

Case No. 105

Docket No. L-00000B-00-0105

Decision No. _____

11 **CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY**

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

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

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

24 Steve Olea Designee of Chairman of the Arizona Corporation
25 Commission

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- Richard Tobin Designee for the Arizona Department of Environmental Quality
- Dennis Sundie Designee for the Director of the Department of Water Resources
- Mark McWhirter Designee for the Director of the Energy Office of the Arizona Department of Commerce
- George Campbell Appointed Member
- Jeff Mcguire Appointed Member
- A. Wayne Smith Appointed Member
- Sandie Smith Appointed Member
- Mike Whalen Appointed Member

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

The Arizona Corporation Commission has considered the grant by the Power Plant and Line Siting Committee of a Certificate of Environmental Compatibility to SRP and finds that the provisions of A.R.S. §40-360.06 have complied with, and, in addition, that documentary evidence was presented regarding the need for the Santan Expansion Project. Credible testimony was presented concerning the local generation deficiency in Arizona and the need to locate additional generation within the East Valley in order to minimize transmission constraints and ensure reliability of the transmission grid. The 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 ~ ADEQ is currently reviewing the Aquifer Protection Permit
8 (APP). SRP anticipates receiving the final APP by October 2004. SRP
9 submitted the Re-use permit application to ADEQ on February 27, 2004.
10 The Arizona Pollution Discharge Elimination System (AZPDES) permit
11 was made available for public comment on April 8, 2004.***

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

18 ***Status ~ Construction continues on schedule. The natural gas pipeline
19 is ready for service. Unit 5 cooling tower construction is underway.
20 Installation of electrical systems and piping are the major activities
21 underway on the unit 5 steam turbine building, HRSG and water
22 treatment building and equipment.***

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

Status ~ SRP has completed the activity required by this condition.

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

Status ~ No update or change from January 2004 quarterly report.

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

Status ~ No update or change from January 2004 quarterly report.

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

3 Status ~ *No update or change from January 2004 quarterly report.*

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

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

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

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

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

34 Applicant will develop with the Town of Gilbert a continuous fund, to be
35 administered by the Town of Gilbert, to provide for the construction and
36 maintenance of off-site landscaping in the areas depicted in the off-site
37 landscaping concepts as developed by the CWG in an amount sufficient to
38 fund the concepts in Exhibit 88 or concepts developed by the CWG,
39 whichever is greater.

1 **Status ~**

2 **Onsite Landscaping Program ~**

3 *Ten Eyck, SRP's landscape architect, developed a two-phase plan for*
4 *the landscaping at the site. The CWG reviewed and approved the plan.*
5 *Phase I of the landscape mitigation plan includes the majority of the*
6 *landscape work. The only work not included in Phase I involves two*
7 *areas of the site that need to be left available for construction access or*
8 *installation of underground utilities associated with the power plant*
9 *construction. These Phase II areas include the northeast area and the*
10 *southeast corner of the project site.*

11 *Phase I work on the north and west berms is complete. Phase I*
12 *landscaping on the south side of the plant is nearly complete.*
13 *Following the completion of the power plant construction, the Phase II*
14 *landscaping work will be completed.*

15 *In the "Trails Area" to the east of the power plant, work is proceeding*
16 *with grading, installing decorative masonry walls, the electrical system*
17 *for lighting, the equestrian node, the horse trail, fencing, the shared use*
18 *path, the irrigation facilities and the planting of trees and shrubs.*

19 **Home Owners' Association (HOA) Offsite Landscaping Program ~**

20 *Nineteen (19) HOAs are within the defined radius and were eligible to*
21 *participate in the program. Under the program, SRP agreed to make a*
22 *one-time payment to the HOAs to fund improvements to help mitigate*
23 *views of the power plant. Eighteen (18) of the nineteen (19) HOAs*
24 *submitted landscaping plans. While the deadline for participation in the*
25 *HOA Offsite Landscaping Program was May 2003, SRP allowed the late*
submittal by one HOA in March 2004. All eighteen HOAs have now
received their funds, for a total disbursement of \$1,329,067.

Under the program, SRP will make future annual payments of \$49,884 to
the HOAs for offsite landscaping maintenance for a period of twenty
(20) years, beginning in September, 2004. This totals 5% of that portion
of the one time allocation dedicated to vegetative landscaping.

Individual County Landscaping Program ~

SRP has completed this program.

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 ~ No update or change from January 2004 quarterly report.

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

1 Road and the design and construction of berms, this condition will largely
2 apply to trees on the East side of the site, and some of the trees on the
3 North side. All landscaping will be installed prior to the installation of major
4 plant equipment such as, but not limited to, exhaust stacks, combustion
5 turbines, and heat recovery steam generators, except where delays are
6 reasonably necessary to facilitate construction activities.

7 ***Status ~ Ten Eyck, SRP's landscape architect, developed a two-phase
8 plan for the landscaping at the site. The CWG reviewed and approved
9 the plan. Phase I of the landscape mitigation plan includes the majority
10 of the landscape work. The only work not included in Phase I involves
11 two areas of the site that need to be left available for construction
12 access or installation of underground utilities associated with the
13 power plant construction. These Phase II areas include the northeast
14 area and the southeast corner of the project site.***

15 ***Phase I work on the north and west berms is complete. Phase I
16 landscaping on the south side of the plant is nearly complete.
17 Following the completion of the power plant construction, the Phase II
18 landscaping work will be completed.***

19 ***In the "Trails Area" to the east of the power plant, work is proceeding
20 with grading, installing decorative masonry walls, the electrical system
21 for lighting, the equestrian node, the horse trail, fencing, the shared use
22 path, the irrigation facilities and the planting of trees and shrubs.***

- 23 10. Applicant shall operate the Project so that during normal operations the
24 Project shall not exceed the most restrictive of applicable (i) HUD residential
25 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.

26 ***Status ~ No update or change from January 2004 quarterly report.***

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

31 ***Status ~ SRP has completed the activity required by this condition.***

- 1 12. Applicant shall actively work with all interested Valley cities, including at a
2 minimum, Tempe, Mesa, Chandler, Queen Creek and Gilbert, to fund a
3 Major Investment Study through the Regional Public Transit Authority to
4 develop concepts and plans for commuter rail systems to serve the growing
5 population of the East Valley. Applicant will contribute a maximum of
6 \$400,000 to this effort.

7 ***Status ~ The Town of Gilbert and SRP reviewed the preliminary plans
8 prepared by Stantec for the second phase of the transportation study.
9 Before moving forward with the Stantec proposal, the Town of Gilbert
10 has requested that additional proposals be submitted for evaluation.
11 We are still at the preliminary stages of that review with expectations for
12 decision-making by the end of the third quarter.***

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

19 ***Status ~ SRP has completed the activity required by this condition.***

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

25 ***Status ~ Through March 2004, SRP had delivered a total of 31,380 acre
feet of CAP water to the Granite Reef Underground Storage Project
(GRUSP) for future use at SEP via recovery from any SRP owned wells
(Association or District) and delivered to SEP from the Eastern Canal
(or onsite District wells). SRP has met its target to store 30,000 acre-feet
of CAP water by May 2005. At this time it is projected that SRP will
continue to store CAP water in GRUSP through 2011.***

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 2004 quarterly report.

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

1 will cooperate with the Town of Gilbert to develop an emergency notification
2 plan and to provide information to community residents relative to potential
3 emergency situations arising from the plant or related facilities. Applicant
4 agrees to work with the Gilbert police and fire departments to jointly develop
5 on site and off-site evacuation plans, as may be reasonably appropriate.
6 This cooperative work and plan shall be completed prior to operation of the
7 plant expansion.

8 **Status ~ No update or change from January 2004 quarterly report.**

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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 ~ SRP has acquired emission reduction credits from the Phoenician and Oak Canyon Manufacturing sufficient to satisfy the 72 ton VOC offset requirement contained in the Santan air quality permit. Additionally, in cooperation with the Maricopa County Department of Transportation, approximately 8 miles of roads have been paved in support of the Santan expansion. This has generated 122 tons of PM10 offsets. Approximately 5 miles of additional paving is scheduled for 2004, which will generate an additional 63 tons of offsets.

These efforts are expected to satisfy all of the offset requirements contained in SRP's air quality permit. However, Maricopa County Environmental Services Department is in the process of writing a new rule addressing PM10 offsets obtained through road paving, and SRP's permit requires SRP to comply with that rule no later than 18 months after it is finalized. Therefore, SRP may be required to obtain additional offsets for the Santan expansion, pending the requirements of the new rule.

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 2004 quarterly report.

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 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

1 on and off-site noise monitoring services (at least on a quarterly basis),
2 testing those locations suggested by the citizens' committee. The off-site air
3 monitoring plan shall be funded by the Applicant and be implemented before
4 operation of the plant expansion.

Status ~ No update or change from January 2004 quarterly report.

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

Status ~ No update or change from January 2004 quarterly report.

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

Status ~ SRP has completed the activity required by this condition.

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

Status ~ No update or change from January 2004 quarterly report.

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

Status ~ SRP has completed the activity required by this condition.

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

Status ~ No update or change from January 2004 quarterly report.

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

Status ~ No update or change from January 2004 quarterly report.

- 26 26. Applicant shall actively work in good faith with Maricopa County in its efforts

1 to establish appropriate standards relative to the use of distillate fuels in
2 Valley generating facilities.

3 **Status ~ SRP has completed the activity required by this condition.**

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

10 **Status ~ No update or change from January 2004 quarterly report.**

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

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

16 **Improvements to Warner Road and Val Vista Road ~ These
17 improvements are complete.**

18 **Screening of the Plant ~ Ten Eyck, SRP's landscape architect,
19 developed a two-phase plan for the landscaping at the site. The CWG
20 reviewed and approved the plan. Phase I of the landscape mitigation
21 plan includes the majority of the landscape work. The only work not
22 included in Phase I involves two areas of the site that need to be left
23 available for construction access or installation of underground utilities
24 associated with the power plant construction. These Phase II areas
25 include the northeast area and the southeast corner of the project site.**

**Phase I work on the north and west berms is complete. Phase I
landscaping on the south side of the plant is nearly complete.
Following the completion of the power plant construction, the Phase II
landscaping work will be completed.**

**Trail Extension ~ In the "Trails Area" to the east of the power plant,
work is proceeding with grading, installing decorative masonry walls,
the electrical system for lighting, the equestrian node, the horse trail,
fencing, the shared use path, the irrigation facilities and the planting of
trees and shrubs.**

Rerouting of Canal at Ray Road ~ This canal modification is complete.

**Training Tower Removal ~ This training tower was removed in the fall of
2000.**

Revegetation Along New RS 18 Line ~ SRP has restored any vegetation

1 ***damaged or destroyed along the RS 18 line as a result of the***
2 ***construction of the line.***

3 ***Dust Control Along Canals ~ SRP is in compliance with applicable PM-***
4 ***10 standards along SRP canal banks.***

5 ***Offsite Tree Planting ~ The offsite landscaping programs are complete.***
6 ***See Condition 7 status for more details.***

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

13 ***Status ~ Ten Eyck, SRP's landscape architect, developed a two-phase***
14 ***plan for the landscaping at the site. The CWG reviewed and approved***
15 ***the plan. Phase I of the landscape mitigation plan includes the majority***
16 ***of the landscape work. The only work not included in Phase I involves***
17 ***two areas of the site that need to be left available for construction***
18 ***access or installation of underground utilities associated with the***
19 ***power plant construction. These Phase II areas include the northeast***
20 ***area and the southeast corner of the project site.***

21 ***Phase I work on the north and west berms is complete. Phase I***
22 ***landscaping on the south side of the plant is nearly complete.***
23 ***Following the completion of the power plant construction, the Phase II***
24 ***landscaping work will be completed.***

25 ***In the "Trails Area" to the east of the power plant, work is proceeding***
with grading, installing decorative masonry walls, the electrical system
for lighting, the equestrian node, the horse trail, fencing, the shared use
path, the irrigation facilities and the planting of trees and shrubs.

SRP's commitment for offsite landscaping has been met.

All landscaping plans have been designed to provide attractive features
and to maximize the positive effect on the surrounding neighborhoods.

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 ~ This condition is no longer applicable as SRP has decided not
to use an auxiliary boiler so no auxiliary boiler stack will be necessary.

31. Applicant will construct the heat recovery steam generators ("HRSG")
approximately 15 feet below grade and will construct the HRSGs so that the

1 overall height of the HRSG module from the natural grade is no more than
2 80 feet.

3 **Status ~ SRP has completed the activity required by this condition.**

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

6 **Status ~ SRP has completed the activity required by this condition.**

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

12 **Status ~ No update or change from January 2004 quarterly report.**

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

17 **Status ~ SRP has completed the activity required by this condition.**

18 GRANTED this ____ day of February, 2001

19 ARIZONA POWER PLANT AND TRANSMISSION
20 LINE SITING COMMITTEE

21 _____
22 By Paul A. Bullis
23 Its Chairman
24
25

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
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.)

Case No. 105

Docket No. L-00000B-00-0105

Decision No. _____

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

16 The Commission finds and concludes that the Certificate of Environmental
17 Compatibility should be granted upon the additional and modified conditions stated
18 herein.

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

Status ~ No update or change from January 2004 quarterly report.

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

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Status ~ On March 3, 2004, the Maricopa County Environmental Services Department issued a revision to SRP's air quality permit to allow for the use of ultra low sulfur fuel as an emergency fuel in the existing units. The conditions in the air quality permit are identical to the requirements for emergency fuels contained in Maricopa County's new air quality rule for existing power plants (Rule 322). In addition, the revised air permit includes a separate condition stating that SRP cannot use the fuel unless previously authorized by the ACC. SRP will continue to fully comply with Condition 36 of the CEC that prohibits the use of diesel fuel in any Santan unit unless amended by the ACC on an emergency basis at some future time.

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

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Status ~ SRP has completed the activity required by this condition. The CO catalysts for Units 1 and 3 were installed in December 2003 and January 2004, respectively. This completes the installation of the CO catalysts on the four existing generating units and satisfies the requirement to obtain CO emissions reductions onsite.

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38. 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 reduce plant emissions and the costs associated with each potential 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.

19
Status ~ No update or change from January 2004 quarterly report.

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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.

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Status ~ In March 2004, a check for \$20,000 was sent to the Arizona Corporation Commission, for deposit in the Pipeline Safety Revolving Fund. This check satisfies compliance with this condition for the year ending April 30, 2004. A copy of the transmittal letter to Mr. Terry Fronterhouse, Manager of Pipeline Safety for the Arizona Corporation Commission, is included under Appendix A.

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

4 **Status ~ Over ninety-three local or in-state contractors have been
5 engaged on jobs completed or in progress.**

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

10 **Status ~ SRP has completed the activity required by this condition.**

11 **APPROVED AS AMENDED BY ORDER OF THE ARIZONA CORPORATION
12 COMMISSION**

13 _____
14 Chairman

15 _____
16 Commissioner

17 _____
18 Commissioner

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

25 By: _____
26 Brian C. McNeil
27 Executive Secretary

28 Dissent: _____
29
30
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35



APPENDIX A

SALT RIVER PROJECT

P. O. Box 52025
Phoenix, AZ 85072-2025
(602) 236-5262
Fax (602) 236-3458
kjbar@srpnet.com

KELLY J. BARR, ESO.

Manager, Regulatory Affairs & Contracts

March 8, 2004

Mr. Terry Fronterhouse
Manager, Pipeline Safety
Arizona Corporation Commission
2200 N. Central
Suite No. 300
Phoenix, Arizona 85004

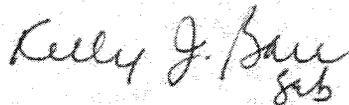
Dear Mr. Fronterhouse:

On May 1, 2001 the Commission granted SRP a Certificate of Environmental Compatibility (CEC) for the Santan Expansion Project in Decision Number 63611. Condition 39 of the CEC decision requires that "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."

In complying with that provision, enclosed is a check in the amount of \$20,000, made payable to the Arizona Corporation Commission, for deposit in the Pipeline Safety Revolving Fund. This check should fully satisfy compliance with Condition 39 for the year ending April 30, 2004.

Please feel free to contact me if you have additional questions or concerns.

Sincerely,

Handwritten signature of Kelly J. Barr in cursive script.

Kelly J. Barr

Enc.

cc: Docket Control

