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**SALT RIVER PROJECT**

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**KELLY J. BARR, ESQ.**

Manager, Regulatory Affairs & Contracts

AZ CORP COMMISSION  
DOCUMENT CONTROL

January 31, 2006

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

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

Dear Commissioners:

Enclosed please find SRP's seventeenth 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

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

# 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. )  
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  
2 Quality  
3 Dennis Sundie Designee for the Director of the Department of Water  
4 Resources  
5 Mark McWhirter Designee for the Director of the Energy Office of the Arizona  
6 Department of Commerce  
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

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

19 The Arizona Corporation Commission has considered the grant by the Power  
20 Plant and Line Siting Committee of a Certificate of Environmental Compatibility to SRP  
21 and finds that the provisions of A.R.S. §40-360.06 have complied with, and, in addition,  
22 that documentary evidence was presented regarding the need for the Santan Expansion  
23 Project. Credible testimony was presented concerning the local generation deficiency in  
24 Arizona and the need to locate additional generation within the East Valley in order to  
25 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 ~ SRP has completed all the permitting requirements for this  
8 project and is in compliance with all ordinances, master plans and  
9 regulations of all applicable governmental jurisdictions.***

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

16 ***Status ~ Unit 5 (the 2-on-1 units) began commercial operation on April  
17 1, 2005. Unit 6 remains on schedule for commercial operation by April  
18 30, 2006. Once completed, the Santan Expansion Project will add  
19 significant new capacity to the valley and to SRP's energy resource  
20 portfolio.***

21 ***The CEC for the Santan Expansion Project authorizes the construction  
22 of "three combined cycle units with a total net output of 825  
23 megawatts." The CEC does not specifically delineate the ambient  
24 conditions or other assumptions underlying the total net output of 825  
25 megawatts. It is recognized in the industry that: (1) manufacturers'  
specifications include a design margin to ensure that guarantees will be  
met; (2) that plant output can vary at different ambient conditions; and  
(3) that the plant output will degrade over time.***

***SRP estimates the final net output of the three units, once the final unit  
becomes operational in April 2006, will exceed 825 megawatts under  
certain ambient and operating conditions. This estimate is based on  
the manufacturer's ratings for the units and an estimate for the total  
auxiliary load.***

***Regardless of the plant's achieved output, SRP will be bound by and  
comply with the CEC conditions, including the environmental permit  
levels issued by the Arizona Department of Environmental Quality, the  
Arizona Department of Water Resources, the Maricopa County  
Environmental Services Department and the Environmental Protection  
Agency. SRP will not exceed such levels. SRP has shared this  
information with the ACC Staff and the ACC Staff believes SRP is in  
compliance with the CEC for the Santan Expansion Project, Case 105  
(Decision No. 63611).***

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

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

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

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

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

15 **Status ~ SRP is currently a member of the Southwest Reserve Sharing  
16 Group and plans to continue its membership.**

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

19 **Status ~ SRP is in compliance with all requirements for groundwater, as  
20 set forth in the Third Management Plan for the Phoenix Active  
21 Management Area.**

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

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

The objective of the CWG shall be to refine the landscaping and mitigation

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

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

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

15 Applicant will develop with the Town of Gilbert a continuous fund, to be  
16 administered by the Town of Gilbert, to provide for the construction and  
17 maintenance of off-site landscaping in the areas depicted in the off-site  
18 landscaping concepts as developed by the CWG in an amount sufficient to  
19 fund the concepts in Exhibit 88 or concepts developed by the CWG,  
20 whichever is greater.

21 **Status ~**

22 **Onsite Landscaping Program ~**

23 ***SRP has completed nearly all of the landscaping at the site. The only  
24 work not completed involves the northeast area and the southeast  
25 corner of the project site that must be left available for construction  
access or installation of underground utilities associated with the plant  
construction. Landscaping work in the northeast and southeast areas  
will be completed following the completion of Unit 6 construction.***

***The "Trails Area" (equestrian and bike trail) to the east of the power  
plant is complete. SRP transferred ownership of the Trails Area to the  
Town of Gilbert on September 13, 2005.***

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

***SRP has completed the initial funding for this program, providing a one-  
time payment to eighteen (18) HOAs in the area for use in providing  
additional landscaping to help mitigate views of the power plant.***

***Under the program, SRP committed to making future annual payments  
of \$49,884 to the HOAs for offsite landscaping maintenance for a period  
of twenty (20) years, beginning in September 2004.***

**Individual County Landscaping Program ~**

***SRP has completed this program.***

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

7 ***Status ~ SRP has satisfied the visual mitigation requirements as  
8 initially set forth in the Application and the proceeding and further  
9 refined and expanded during the CWG process. SRP's mitigation  
10 efforts also include the items specified in the SRP/Town of Gilbert  
11 Intergovernmental Agreement.***

- 12 9. Applicant shall, where reasonable to do so, plant on site trees by the fall of  
13 2001. Because planting of trees must await the improvement of Warner  
14 Road and the design and construction of berms, this condition will largely  
15 apply to trees on the East side of the site, and some of the trees on the  
16 North side. All landscaping will be installed prior to the installation of major  
17 plant equipment such as, but not limited to, exhaust stacks, combustion  
18 turbines, and heat recovery steam generators, except where delays are  
19 reasonably necessary to facilitate construction activities.

20 ***Status ~ As noted in condition 7, nearly all of the landscaping work at  
21 the site has been completed. Following the completion of Unit 6  
22 construction, SRP will complete the landscaping work in the northeast  
23 area and the southeast corner of the project site.***

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

***Status ~ SRP remains in compliance with all applicable noise guidelines  
and standards. Throughout construction of the project, SRP has taken  
noise readings at various locations along the plant boundary three  
times per week to ensure compliance with noise guidelines and  
standards. Additional noise testing is conducted during nighttime  
construction activities, such as concrete pours. This process will  
continue until the commercial operation of Unit 6.***

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***Unit 5 began commercial operation on April 1, 2005 and plant personnel are conducting additional off-site noise testing at the three sites designated by the Santan Neighborhood Committee (SNC) on the north, east and south sides of the plant boundaries. The SNC committee is responsible for establishing the locations, timing and frequency of the off-site noise tests. For more information on the SNC, please refer to condition 19.***

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.

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

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

***Status ~ Phase 2 of the Gilbert Transportation Study (the Gilbert Bicycle & Pedestrian Plan) is 98% complete. The Gilbert Transportation Study was developed to integrate with the Maricopa Association of Government's (MAG) Transit Study. Final comments from the Technical Advisory Committee (TAC) on the report have been incorporated in the Plan. The final Plan and Development Guidelines documents have been submitted to the Town of Gilbert. Town staff is working to schedule a final presentation to the Town Council.***

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

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

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

***Status ~ To date, SRP has delivered a total of 65,344 acre feet of CAP water to GRUSP for future use via recovery from any SRP owned wells***

1                    ***(Association or District) and delivered to SEP from the Eastern Canal***  
2                    ***(or onsite District wells). SRP continues to be ahead of its storage***  
3                    ***schedule and projects that SRP will continue to store CAP water in***  
4                    ***GRUSP through 2011 for recovery and use. To meet ongoing***  
5                    ***operational water demands, SEP continues to use SRP surface water***  
6                    ***and CAP water (both directly and via recovery of storage credits from***  
7                    ***SRP owned wells).***

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

***Status ~ SRP is in compliance with all applicable federal, state and local regulations relative to storage and transportation of chemicals used at the plant.***

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

***Status ~ SRP does and will continue to comply with all safety standards including secondary containment for bulk materials (chemicals) and development of evacuation procedures for plant personnel. A detailed copy of the response plan is available at the Town of Gilbert Fire Department as well as with the State Emergency Response Commission (SERC) and the Maricopa County Local Emergency Planning Committee (LEPC).***

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 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. In addition, SRP, in cooperation with the Maricopa County Department of Transportation (MCDOT), has obtained sufficient PM10 offsets for Unit 5 by paving roads in the east valley, starting with roads closest to the plant site.***

1                    ***On December 6, 2005, SRP submitted a notice to Maricopa County Air***  
2                    ***Quality Division (MCAQD) indicating that MCDOT would complete initial***  
3                    ***chip sealing on all required road segments by December 8, 2005.***  
4                    ***Additionally, SRP submitted a letter to MCAQD confirming that the work***  
5                    ***was completed as planned on December 8, 2005. Enough road***  
6                    ***segments have been controlled to generate the required amount of***  
7                    ***PM10 offsets for Unit 6.***

8                    ***All required offsets have been met for the Santan Expansion Project.***

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

13                    ***Status ~ SRP's first priority in operating its generating stations,***  
14                    ***transmission system and distribution system is to safely supply a***  
15                    ***reliable, low cost source of power to its retail customers. The Santan***  
16                    ***Expansion Project will be operated in the same manner as current***  
17                    ***resources and is a significant element in SRP's plans to avoid the kind***  
18                    ***of price volatility that accompanied the California crisis.***

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

32                    ***Status ~ The Santan Neighborhood Committee (SNC) held a meeting on***  
33                    ***October 19, 2005 where Santan personnel provided additional monthly***  
34                    ***data on emissions, water discharge and off-site noise readings taken***  
35                    ***since the last meeting. The group also discussed Unit 6 start-up***  
36                    ***activities. The next SNC meeting is scheduled for February 8, 2006.***

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

1                    ***Status ~ SRP explored the option of reduced plume cooling towers via***  
2                    ***the specification and bidding process for this equipment but found the***  
3                    ***limited availability, prohibitive cost and additional height requirements***  
                     ***of the plume abatement technology to supersede the potential benefits***  
                     ***at this time. SRP will continue to monitor cooling tower technology.***

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

6                    ***Status ~ SRP continues to review proposals to sell the SEP lateral to a***  
7                    ***third party.***

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

11                   ***Status ~ SRP will not construct additional Extra High Voltage***  
12                   ***transmission lines (no new circuits 115kv and above) into or out of the***  
13                   ***Santan site or substation on the site. However, some of the existing***  
14                   ***circuits may be bundled in the future as required.***

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

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

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

25                   ***Status ~ A representative of the Arizona Department of Health Services***  
                     ***serves on the Santan Neighborhood Committee. The representative's***  
                     ***role is to provide technical assistance and expertise to the citizens***  
                     ***committee mentioned in condition 19. Such assistance will cover air,***  
                     ***noise, and water quality issues.***

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

***Status ~ SRP has an environmental management system (EMS)***  
                     ***designed to assure compliance with applicable laws and regulations.***  
                     ***The Santan Generating Station is integrated in the SRP EMS.***  
                     ***Procedures and Environmental Information Management Systems***

1 ***(EIMS) have been modified to incorporate the new requirements***  
2 ***associated with the Santan Expansion Project. Plant personnel***  
3 ***responsible for meeting environmental compliance have received***  
4 ***training on the new requirements and a formal audit will be conducted***  
5 ***within one year after Unit 6 startup.***

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

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

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

***Status ~ SRP has installed continuous emission monitoring equipment on the new units. SRP is currently developing the presentation materials and graphics for the emissions data that will be posted on the Santan website.***

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

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

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

***Screening of the Plant ~ All of the screening, with the exception of the northeast area and the southeast corner of the project site, is complete. The two areas of the site remaining to be landscaped must be left available for construction access and installation of underground utilities associated with the power plant construction. Screening in these areas will be completed upon completion of Unit 6 construction.***

***Trail Extension ~ In the "Trails Area" to the east of the power plant, work is complete. The "Trails Area" includes a horse trail, unpaved equestrian resting areas complete with benches for the horse's rider, and a shared use path, surrounded by decorative masonry walls, path lighting, and new plantings 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***

1                   2000.

2                   **Revegetation Along New RS 18 Line** ~ SRP has restored any vegetation  
3                   damaged or destroyed along the RS 18 line as a result of the  
4                   construction of the line.

5                   **Dust Control Along Canals** ~ SRP is in compliance with applicable PM-  
6                   10 standards along SRP canal banks.

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

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

15                  **Status** ~ SRP has invested \$20 million in community and site  
16                  improvements, including extensive landscaping to ensure compatibility  
17                  with the community. Conditions 7, 9 and 28 address SRP's  
18                  comprehensive landscaping plan that was developed by SRP's  
19                  landscape architect and approved by the CWG. Almost all of the  
20                  landscaping at the project site has been completed and funding for off-  
21                  site landscaping has been completed as well. The landscaping  
22                  provides attractive features and was designed to maximize the positive  
23                  effect on the surrounding neighborhoods.

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

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

- 29                  31. Applicant will construct the heat recovery steam generators ("HRSG")  
30                  approximately 15 feet below grade and will construct the HRSGs so that the  
31                  overall height of the HRSG module from the natural grade is no more than  
32                  80 feet.

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

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

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

- 37                  33. Applicant shall not transfer this Certificate to any other entity for a period of

1 20 years from the date of approval by the Corporation Commission, other  
2 than as part of a financing transaction where operational responsibilities will  
3 remain with Applicant, and where Applicant will continue to operate the plant  
4 in accordance with this Certificate.

4 **Status ~ SRP has no plans to transfer this Certificate to another entity.**

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

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

9 GRANTED this \_\_\_\_ day of February, 2001

10 ARIZONA POWER PLANT AND TRANSMISSION  
11 LINE SITING COMMITTEE

12  
13 \_\_\_\_\_  
14 By Paul A. Bullis  
15 Its Chairman

16 **BEFORE THE ARIZONA CORPORATION COMMISSION**

17  
18 In the matter of the Application of Salt )  
19 River Project Agricultural Improvement and )  
20 Power District in conformance with the )  
21 requirements of Arizona Revised Statutes )  
22 Sections 40-360-03 and 40-360.06, for a )  
23 Certificate of Environmental Compatibility )  
24 authorizing the Expansion of its Santan )  
25 Generating Station, located at the intersection )  
of Warner Road and Val Vista Drive, )  
in Gilbert, Arizona, by adding 825 megawatts )  
of new capacity in the form of three combined )  
cycle natural gas units, and associated )  
intraplant transmission lines. )  
\_\_\_\_\_ )

Case No. 105

Docket No. L-00000B-00-0105

Decision No. \_\_\_\_\_

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

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

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

16 ***Status ~ On February 10, 2003 the Maricopa County Environmental  
17 Services Department issued an air quality permit for the Santan  
18 Expansion Project. The air permit mandates the following Lowest  
19 Achievable Emission Rates (LAER):***

- 20 • CO – 2 ppm w/o duct firing; 2 ppm w/ duct firing
- 21 • NOx – 2 ppm w/o duct firing; 2 ppm w/ duct firing
- 22 • VOC – 1 ppm w/o duct firing; 2 ppm w/ duct firing
- 23 • PM10 - .01 lb/mmBtu

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

***Status ~ Since the issuance of the ACC order for the SEP Certificate of  
Environmental Compatibility, SRP has not burned diesel fuel in the  
existing Santan generating units. The new generating units associated  
with the SEP will not have diesel fuel-burning capability.***

***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), with the exception of the  
requirement that SRP use ultra low sulfur fuel rather than low sulfur***

1 ***fuel. In addition, the revised air permit includes a separate condition***  
2 ***stating that SRP cannot use the fuel unless previously authorized by***  
3 ***the ACC. SRP will continue to fully comply with Condition 36 of the***  
4 ***CEC that prohibits the use of diesel fuel in any Santan unit unless***  
5 ***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.

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

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.

***Status ~ SRP will comply with the requirement for a review of technology that will reduce plant emissions every 5 years after commercial operation of the new units and will report such findings to the Commission and all parties in this docket.***

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 ~ In March 2005, 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, 2005. Subsequent checks will be distributed in the March/April timeframe each year.***

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 ~ Every effort has been made to incorporate local contractors for this project. Over one hundred-eleven local or in-state contractors have been engaged on jobs completed or in progress.***

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

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

6 **APPROVED AS AMENDED BY ORDER OF THE ARIZONA CORPORATION**  
7 **COMMISSION**

8  
9 Chairman \_\_\_\_\_

Commissioner \_\_\_\_\_

Commissioner \_\_\_\_\_

10 In Witness hereof, I, Brian C. McNeil,  
11 Executive Secretary of the Arizona  
12 Corporation Commission, set my hand  
13 and cause the official seal of this  
14 Commission to be affixed this \_\_\_\_ day  
15 of \_\_\_\_\_, 2001.

16 By: \_\_\_\_\_  
17 Brian C. McNeil  
18 Executive Secretary

19 Dissent: \_\_\_\_\_  
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