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BEFORE THE ARIZONA POWER PLANT AND LINE SITING COMMITTEE

IN THE MATTER OF THE APPLICATION ) CASE NO. 116  
 OF ALLEGHENY ENERGY SUPPLY ) DOCKET NOS: L-00000D-01-0116  
 COMPANY, L.L.C., FOR A CERTIFICATE ) L-00000B-01-0116  
 OF ENVIRONMENTAL COMPATIBILITY )  
 FOR CONSTRUCTION OF A 1,080 MW )  
 (NOMINAL) GENERATING FACILITY IN ) **STAFF'S NOTICE OF PROPOSED**  
 SECTION 35, TOWNSHIP 3 NORTH, ) **CONDITIONS**  
 RANGE 11 WEST IN LA PAZ COUNTY )  
 ARIZONA AND ASSOCIATED ) Arizona Corporation Commission  
 TRANSMISSION LINE AND ) **DOCKETED**  
 SWITCHYARDS BETWEEN AND IN ) NOV 01 2001  
 SECTION 35, TOWNSHIP 3 NORTH, )  
 RANGE 11 WEST AND SECTIONS 23-26, ) DOCKETED BY  
 TOWNSHIP 3 NORTH, RANGE 11 WEST ) *mac*  
 ALSO IN LA PAZ COUNTY, ARIZONA. )

AZ CORP COMMISSION  
DOCUMENT CONTROL

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Pursuant to the Procedural Order issued in this matter by the Arizona Power Plant and Line Siting Committee ("Committee") on September 5, 2001, the Arizona Corporation Commission's Utilities Division staff ("Staff") hereby files its proposed conditions.

Staff is filing its proposed conditions separately from those of other parties to this matter. This separate filing should not be construed either as disagreement with or agreement with any filings made by any other party or parties. If the Committee grants Allegheny Energy Supply Co., L.L.C., (hereinafter "Applicant" or "Allegheny") a Certificate of Environmental Compatibility ("CEC"), Staff recommends that the following seventeen conditions be placed on the CEC. Staff reserves the right to change, modify, add or subtract conditions as evidence is presented to the Committee.

Staff's Proposed Conditions

1. Authorization to construct the facility will expire five years from the date the Certificate is approved by the Arizona Corporation Commission unless construction is completed to the point that the facility is capable of operating at its rated capacity by that time; provided, however, that prior to such expiration the facility owner may request that the Arizona Corporation Commission extend this time limitation.
2. Applicant shall build two transmission lines connecting the Applicant's plant switchyard to the transmission switchyard on separate structures separated by a minimum of 200 feet. Applicant's plant interconnection must satisfy the Western

1 Systems Coordinating Council's ("WSCC") single contingency outage criteria (N-1)  
2 and all applicable local utility planning criteria without reliance on remedial action such  
3 as, but not limited to, reducing generator output, reducing generator unit tripping or  
4 load shedding.

- 4 3. The Applicant's plant switchyard shall utilize a breaker and a half scheme.
- 5 4. Applicant will pay up to \$25,000,000 towards upgrading transmission capacity out of  
6 the Palo Verde hub. This may be done by one of two ways. Applicant may either apply  
7 such funding either for upgrades to the existing Palo Verde to Devers 500 kV  
8 transmission line, as set forth in Southern California Edison's (SCE's) technical  
9 studies, or apply such funding towards the building of new transmission lines out of  
10 Palo Verde. If the former option is chosen, Applicant will contact SCE to determine  
11 the earliest opportunity for the transmission line to be upgraded and Applicant will use  
12 commercially reasonable efforts to assure that such upgrades are completed before this  
13 plant commences commercial operation.
- 14 5. Prior to construction of any facilities, Applicant must provide the Commission with  
15 technical study evidence that sufficient transmission capacity exists to accommodate  
16 the full 1,080 MW output of the plant and that the full output of the plant will not  
17 compromise the reliable operation of the interconnected transmission system. The  
18 technical studies shall include a power flow and stability analysis report showing the  
19 effect of the full output of the plant on the planned Arizona electric transmission  
20 system. The technical study report(s) shall document both physical flow capability as  
21 well as contractual schedule capability for the full output of the plant to its intended  
22 market. In addition, Applicant must provide the Commission with updates to the  
23 information required in this condition not more than one year and not less than three  
24 months prior to commercial operation of the full output of the plant.
- 25 6. Prior to construction of any facilities, Applicant shall provide the Commission with  
26 copies of all transmission agreements with any transmission provider(s) that Allegheny  
27 contracts with to own and operate the transmission lines, transformers and transmission  
28 switchyard facilities interconnecting the proposed plant to the transmission grid.
7. Applicant shall provide the Commission with copies of the transmission  
interconnection and transmission service agreement(s) it ultimately enters into with any  
transmission provider(s) with whom it is interconnecting, within 30 days of execution  
of such agreement(s).
8. Applicant will become and remain a member of WSCC, or its successor, and file an  
executed copy of its WSCC Reliability Management System (RMS) Generator  
Agreement with the Commission. Membership by an affiliate of Applicant satisfies  
this condition only if Applicant is bound by the affiliate's WSCC membership.
9. Applicant shall become and remain a member of the Southwest Reserve Sharing Group  
or its successor, thereby making its units available for reserve sharing purposes, subject  
to competitive pricing.

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10. Applicant shall commit and offer for Ancillary Services a total of 10% of its total plant capacity to the local Control Area with which it is interconnected and to Arizona's regional ancillary service market once a Regional Transmission Organization is operational, and until such time that a Regional Transmission Organization is operational, to a regional reserve sharing pool.
11. Within 30 days of the Commission decision authorizing construction of this project, Applicant shall erect and maintain at the site a sign of not less than 4 feet by 8 feet dimensions, advising:
  - a. That the site has been approved for the construction of a 1,080 MW generating facility;
  - b. The expected date of completion of the facility; and
  - c. Phone number for public information regarding the project.

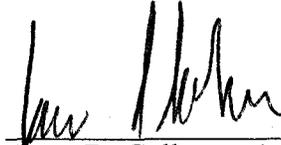
In the event that the Project requests an extension of the term of the certificate prior to completion of the construction, Applicant shall use reasonable means to directly notify all landowners and residents within one-mile radius of the project of the time and place of the proceeding in which the Commission shall consider such request for extension. Applicant shall also provide notice of such extension to the community of La Paz County.

12. Applicant shall offer wholesale power for sale to Arizona customers via open market, arms-length transactions.
13. La Paz Power Plant shall not intentionally withhold its capacity from the market for reasons other than a forced outage or a pre-announced planned outage.
14. In connection with the construction of the project, Applicant shall use commercially reasonable efforts, where feasible, to give due consideration to use of Arizona contractors.
15. Applicant shall participate in good faith in the Central Arizona Transmission Study, and other state and regional transmission study forums, to identify and encourage expedient implementation of transmission enhancements, including transmission cost participation as appropriate, to reliably deliver power from the proposed plant throughout the WSCC grid in a reliable manner, and as necessary to resolve any transmission deficiencies between La Paz Power Plant and its intended market, including the Bulk EHV System, underlying 115 kV to 230 kV System, and the transmission import constraints for the Phoenix and Tucson service area; and
16. Applicant shall pursue all necessary steps to ensure a reliable supply of natural gas for the generating facility.

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1 17. Applicant shall participate in good faith in state and regional workshops and  
2 other assessments of the interstate pipeline infrastructure.

3 RESPECTFULLY SUBMITTED this 1<sup>st</sup> day of November, 2001.

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15 Pursuant to R14-3-204 the  
16 ORIGINAL and twenty-five  
17 copies were filed this 1<sup>st</sup> day of  
18 November, 2001 with:

19 Docket Control  
20 Arizona Corporation Commission  
21 1200 West Washington Street  
22 Phoenix, Arizona 85007

23 COPY of the foregoing was  
24 mailed/hand-delivered this 1<sup>st</sup>  
25 day of November, 2001, to:

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