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ADAMS BROADWELL JOSEPH & CARD

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

651 GATEWAY BOULEVARD, SUITE 900
SOUTH SAN FRANCISCO, CA 94080

TEL: (650) 589-1660

FAX: (650) 589-5062

mwolfe@adamsbroadwell.com

SACRAMENTO OFFICE

1029 K STREET, SUITE 37
SACRAMENTO, CA 95814

TEL: (916) 444-6201
FAX: (916) 444-6209

DANIEL L. CARDOZO
JOHN H. FARROW
MARC D. JOSEPH
KATHERINE S. POOLE
MARK R. WOLFE

OF COUNSEL
THOMAS R. ADAMS
ANN BROADWELL

January 10, 2002

VIA FEDERAL EXPRESS

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

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2002 JAN 11 P 1:28
AZ CORP COMMISSION
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Re: Allegheny Energy Supply Company, LLC
Docket No. L-00000AA-01-0116; Case No. 116

Dear Sir/ Madam:

With this letter, Arizona Unions for Reliable Energy files twenty-five copies of the following document in the above-referenced Docket:

AZURE'S PROPOSED CONDITIONS

Sincerely,

Mark R. Wolfe

Arizona Corporation Commission

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JAN 11 2002

25 copies filed this
date with Docket Control

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January 10, 2002

Page 2

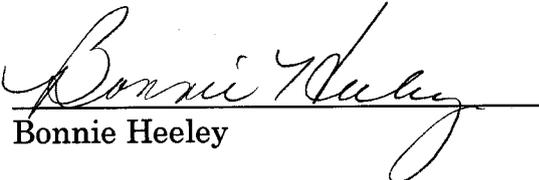
COPY of the foregoing mailed this
10th day of January, 2002, to:

Todd C. Wiley
Gallagher & Kennedy, PA
2575 E. Cambelback Road
Phoenix, AZ 85016-9225

Jason Gellman, Esq.
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Laurie Woodall
Line Siting Committee Chair
Office of the Attorney General
1275 West Washington
Phoenix, AZ 85007

James D. Viereg, Esq.
Morrison & Hecker LLP
2800 N. Central Avenue, #1600
Phoenix, AZ 85004-4584


Bonnie Heeley

ORIGINAL

**BEFORE THE ARIZONA POWER PLANT AND
TRANSMISSION LINE SITING COMMITTEE**

IN THE MATTER OF THE APPLICATION OF ALLEGHENY ENERGY SUPPLY COMPANY, LLC, FOR A CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY FOR CONSTRUCTION OF A 1,080 MW (NOMINAL) GENERATING FACILITY IN SECTION 35, TOWNSHIP 3 NORTH, RANGE 11 WEST IN LA PAZ COUNTY, ARIZONA, AND AN ASSOCIATED TRANSMISSION LINE AND SWITCHYARDS BETWEEN AND IN SECTION 35, TOWNSHIP 3 NORTH, RANGE 11 WEST AND SECTIONS 23-26, TOWNSHIP 3 NORTH, RANGE 11 WEST ALSO IN LA PAZ COUNTY, ARIZONA

DOCKET NO. L-00000AA-01-0116

CASE NO. 116

AZ CORP COMMISSION
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AZURE'S PROPOSED CONDITIONS

Pursuant to the Committee Chair's verbal order issued during the December 14, 2001 hearing in the above-captioned matter, Intervenor AZURE hereby submits the following proposed conditions for inclusion in any Certificate of Environmental Compatibility ("CEC") that the Committee may grant to Allegheny Energy Supply, L.L.C. ("Applicant") for the proposed La Paz Generating Station in La Paz County, Arizona ("Project"). To the extent AZURE's proposed conditions add or modify language to conditions proposed by Allegheny, these changes appear in underline format.

The conditions below include some of the new conditions adopted by the Arizona Corporation Commission in the Duke Arlington II proceeding on October 8, 2001. Previously, on October 4, 2001, AZURE submitted to Allegheny's counsel a list of proposed conditions that did not include these. On October 9, 2001, counsel for AZURE and Allegheny conferred by telephone to discuss whether

1 Allegheny was willing to accept any of AZURE's proposed conditions and/or any of the new
2 Commission conditions adopted in the Duke Arlington II case. Allegheny did not agree to accept any of
3 either.
4

5 AZURE believes the record does not contain substantial evidence that this Project is needed to
6 ensure an adequate, economical and reliable supply of electric power in Arizona. Under these
7 circumstances, the Project's impacts on the environment, and its consumption of Arizona's limited
8 natural resources, including especially water resources, should be avoided or minimized to the
9 maximum extent feasible. Accordingly, AZURE respectfully requests that the Committee include these
10 conditions in the CEC, if granted, together with other conditions proposed by the Applicant or Staff that
11 the Committee deems appropriate. AZURE reserves the right to modify, add, or withdraw conditions as
12 further evidence is presented to the Committee.
13

14
15 1. Applicant shall construct and operate the proposed La Paz Generating Facility as a dry-
16 cooled generating facility. Applicant shall limit groundwater pumping for cooling purposes to
17 no more than 325 acre-feet per year, based on a 95% reduction from the estimated 6,500 acre-
18 feet per year needed for a wet-cooling system. Applicant shall acquire on an annual basis,
19 through another or by contract with the Arizona Water Banking Authority ("AWBA"), an
20 amount of water equivalent to the amount of groundwater actually pumped for use by the project
21 in the preceding year, to be recharged at the Vidler Recharge Facility.

22 Alternative Condition 1. Applicant shall construct and operate the proposed La Paz Generating
23 Facility as a parallel wet-dry cooled generating facility. Applicant shall limit groundwater
24 pumping for cooling purposes to no more than 2,600 acre-feet per year, based on a 60%
25 reduction from the estimated 6,500 acre-feet per year needed for a wet-cooling system.
26 Applicant shall acquire, through another or by contract with AWBA, an amount of water
27 equivalent to the amount of groundwater actually pumped for use by the project in the preceding
28 year, to be recharged at the Vidler Recharge Facility.

2. Applicant shall employ a zero liquid discharge crystallizer system ("ZLDC") *in lieu of*
evaporation ponds to avoid or minimize adverse impacts on birds and wildlife.

3. Applicant shall employ an on-site, urea-to-ammonia generation system to supply
ammonia to the selective catalytic reduction system, in order to avoid the transportation by truck
of aqueous ammonia to the site on the public highway system.

1 4. Applicant shall comply with all applicable air quality control standards, approvals, permit
2 conditions and requirements of the Arizona Department of Environmental Quality ("ADEQ")
3 and/or other State or Federal agencies having jurisdiction. Applicant shall further install and
4 operate selective catalytic reduction and catalytic oxidation technology that will produce
5 emission rates for oxides of nitrogen ("NO_x"), carbon monoxide (CO), volatile organic
6 compounds ("VOCs"), condensable particulate matter, and ammonia slip, that are equivalent to
7 current California BACT.

8 5. If during the first 20 years of commercial operation of the Project (i) an air quality permit
9 is issued in EPA Region IX requiring a combined cycle combustion turbine generator located in
10 an area having the same designation at that time (attainment or nonattainment) as the Project site
11 to control NO_x emissions to a level less than current California BACT, and (ii) the Commission
12 or the Applicant has determined that use of the technology required to comply with such lower
13 standard would be economically feasible for this Project, then within 24 months of such
14 determination Applicant shall install and operate control technology to control NO_x emissions at
15 this Project to such lower standard. Applicant shall not be required to install new control
16 technology more than once every ten years.

17 6. Allegheny shall construct a 1000 KW (1 MW) solar photovoltaic array for use in
18 conjunction with the Project's electricity use requirements. Allegheny will also participate in
19 future solar workshops conducted by the Commission.

20 7. Applicant's plant interconnection must satisfy the Western Systems Coordinating
21 Council's ("WSCC") single contingency outage criteria (N-1), CAISO planning criteria, and all
22 applicable local utility planning criteria without reliance on remedial action such as, but not
23 limited to, reducing generator output, reducing generator unit tripping or load shedding.

24 8. Applicant will pay up to \$25,000,000 towards upgrading transmission capacity out of the
25 Palo Verde hub in relation to the Devers Palo Verde, North Gila and Palo Verde Westwing lines
26 for delivery to Arizona markets. This may be done in one of two ways. Applicant may either
27 apply such funding for upgrades to the existing Devers to Palo Verde 500 kV and/or
28 transmission lines and switchyard facilities, as set forth in the Southern California Edison
("SCE") La Paz system impact study and facilities study, or apply such funding towards the
building of new transmission lines out of Palo Verde. If the former option is chosen, Applicant
will contact SCE to determine the earliest opportunity for the transmission line to be upgraded
and Applicant will use commercially reasonable efforts to assure that such upgrades are
completed before this plant commences commercial operation. However, funds for facilities
which Applicant would be required to pay for in the absence of this condition, such as facilities
required as a condition of interconnection pursuant to the SCE facilities study, shall not be
counted towards the \$25 million amount required by this condition.

9. Prior to construction of any facilities, Applicant shall provide to the Commission the
system impact study and the facilities study performed by Southern California Edison regarding
the La Paz project. To the extent that these studies do not provide the following information,
Applicant shall provide the Commission additional technical study evidence demonstrating that:
(i) sufficient transmission capacity exists to accommodate the full output of the Project and that

1 the full output of the Project will not compromise the reliable operation of the interconnected
2 transmission system; (ii) the Project's interconnection will satisfy the WSCC single contingency
3 outage criteria (N-1) and all applicable local utility planning criteria without reliance on remedial
4 action as described in Condition 6, above; (iii) the Project's interconnection will not create or
5 worsen overloads of existing transmission facilities after an N-1 or L-1/G-1 contingency which is
6 not mitigated by dropping of generation or load. The SCE studies or additional supplemental
7 technical study shall include a power flow and stability analysis report showing the effect of the
8 full output of the Project on the planned Arizona electric transmission system and shall document
9 physical flow capability for the full output of the plant to its intended market under both normal
10 and N-1 conditions. In addition, Applicant shall provide the Commission with updates of the
11 information required in this condition not more than one year and not less than three months
12 prior to commercial operation of the full output of the plant. Any studies filed in compliance
13 with this condition shall be subject to review and approval by the Commission, and construction
14 of the La Paz project shall not begin until such approval has been granted.

10. Applicant shall offer wholesale power purchase opportunities to credit-worthy Arizona
11 load-serving entities and to credit-worthy marketers providing service to those Arizona load-
12 serving entities on a right-of-first-refusal basis with terms equal to or better than those offered to
13 other prospective customers.

11. Unless barred by applicable Federal Energy Regulator Commission ("FERC")
14 regulations, Applicant shall not withhold its capacity from the market for reasons other than a
15 forced outage or pre-announced planned outage. Allegheny shall not be required to operate its
16 Project if doing so would result in a loss on an operating basis, measured by comparing revenues
17 from operating during a given time period to variable operating costs over the same period. The
18 time period of analysis for purposes of this calculation shall be no more than 24 hours at a time,
19 due to the ability of the Project to fully start and stop within a 24-hour period.

12. The Applicant, its Assignees, and/or Successors shall submit a self-certification letter
20 annually listing which conditions contained in this CEC have been met. Each letter shall be
21 submitted to the Utilities Division Director on August 1, beginning in 2002, describing
22 conditions which have been met as of June 30. Attached to each certification letter shall be
23 documentation explaining, in detail, how compliance with each condition was achieved. Copies
24 of each letter, along with the corresponding documentation, shall also be submitted to the
25 Arizona Attorney General and the Directors of the Arizona Department of Environmental
26 Quality, Department of Water Resources, and the Department of Commerce Energy Office.

13. The Commission is approving this Certificate as a package of inter-related requirements
27 and conditions that must all remain in force in order to merit Commission approval. If the
28 Applicant, its successor(s) or assignee(s) pursue a legal challenge of any condition herein, the
authority to construct facilities granted by this Commission Decision shall be revoked and the
Certificate rendered null and void in its entirety without further order of the Commission.

14. If the Applicant, its successor(s) or assignee(s), after notice and hearing, is found to have
failed to comply with any conditions herein, the Commission shall impose appropriate sanctions
up to and including the revocation of the authority to construct facilities granted by this

1 Commission Decision which would result in the Certificate being rendered null and void in its
2 entirety.

3 Dated: January 10, 2002

Respectfully submitted,

4 MORRISON & HECKER, L.L.P.
5 ADAMS BROADWELL JOSEPH & CARDOZO, P.C.

6
7 By: 

8 Mark R. Wolfe
9 Adams Broadwell Joseph & Cardozo
10 651 Gateway Boulevard, Suite 900
11 South San Francisco, CA 94080
12 (650) 589-1660 Voice
13 (650) 589-5062 Facsimile
14 mwolfe@adamsbroadwell.com

Attorneys for AZURE

15 Original and 25 copies filed
16 this 10th day of January, 2002
17 with Docket Control.

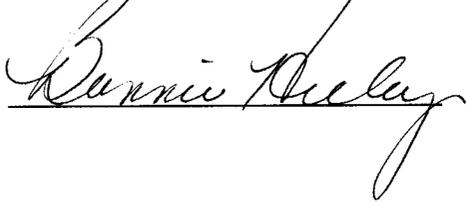
18 COPIES e-mailed and mailed this 10th day of
19 January, 2002, to:

20 Jason D. Gellman, Esq.
21 Legal Division
22 Arizona Corporation Commission
23 1200 W. Washington Street
24 Phoenix, AZ 85007

25 Laurie Woodall, Chair
26 Arizona Power Plant and
27 Transmission Line Siting Committee
28 1275 W. Washington
Phoenix, Arizona 85007

Todd C. Wiley, Esq.
Gallagher & Kennedy
2575 East Camelback Road
Phoenix, AZ 85016

1 James D. Viereg
Morrison & Hecker
2 1850 North Central Avenue, Suite 2100
3 Phoenix, AZ 85004-4584

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