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AZ CORP COMMISSION
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Docket No. L-00000BB-01-0118

December 29, 2006

Arizona Corporation Commission

DOCKETED

JAN 02 2007

Mr. Ernest Johnson
Utilities Division Director
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

DOCKETED BY 

Subject: Bowie Power Station, L.L.C. 2006 Self-Certification Letter
(ACC Decision 64625 and 64626)

Dear Mr. Johnson:

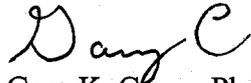
Pursuant to Condition No. 24 of Decision No. 64625 and Condition No. 11 of Decision No. 64626, Bowie Power Station, L.L.C. ("Bowie") submits this letter of self-certification. Bowie remains fully compliant throughout 2006 with respect to Certificates of Environmental Compatibility ("CEC") granted by those decisions.

Two (2) requests for an extension of the March 7, 2007 expiration date(s) set forth in the CECs were filed with Docket Control on August 18th, 2006 (see attachments). A subsequent meeting was held with Mr. Prem Bahl and Mr. Kevin Torrey on December 11, 2006 in which representatives of Bowie explained the reasoning underlying the request(s) for an extension of the expiration date(s) of both CECs from March 7, 2007 until (i) December 31, 2008 or (ii) that date upon which the Commission issues a final and non-appealable decision in a separate proceeding regarding whether the CEC's granted should be altered or amended in other respects, whichever is sooner. The requests (pursuant to A.R.S. 40-252) which will initiate that separate proceeding will be filed during the first quarter of 2007.

Bowie respectfully requests that the Utilities and Legal Division staff continue to conduct and conclude such further review of Bowie's request(s) to extend the expiration date(s) set forth in Decision No. 64625 and Decision No. 64626 as may be necessary, in

order that the Commission may consider and act upon the same prior to March 7, 2007.
If you have any questions, please do not hesitate to call me at (602) 808-2004.

Sincerely,



Gary K. Crane, Ph.D.
Environmental Manager

Cc: File
Docket Control
David Getts (SWPG)
Kevin Torrey, Esq. (Legal Division)
Prem K. Bahl, (Utilities Division)
Laurie Woodall, Designee for Office of Attorney General
Ed Ranger, Designee for Director of ADEQ
Gregg Houtz, Designee for Director of ADWR
Doug Eberhart, Designee for Chairman of ACC
Mark Ellery, Designee for Director of Commerce Energy Office
Lawrence V. Robertson, Jr. (Munger Chadwick, P.L.C.)

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Environmental Compatibility ("CEC") granted by Decision No. 64626 should be altered or amended, whichever is sooner. A copy of Decision No. 64626 is attached hereto as Appendix "A" and incorporated herein by reference.

I.
BACKGROUND

On January 3, 2002 the Arizona Power Plant and Transmission Line Siting Committee ("Siting Committee") voted 10-0 to grant Bowie a CEC authorizing it to site and construct (i) a double-circuit 345 kV transmission line interconnecting Bowie's Bowie Power Station facilities with the Western System Coordinating Council transmission grid at Tucson Electric Power Company's 345 kV Greenlee-Vail transmission line and Arizona Electric Power Company's 230 kV Red Tail-Dos Condados transmission line, and (ii) a new Willow 345/230 kV switchyard, as more particularly described in Decision No. 64626. On March 7, 2002, the Commission affirmed the vote of the Siting Committee, with certain added conditions, and formally granted the aforesaid CEC by the issuance of Decision No. 64626. Condition No. 10 of the decision provided as follows:

"10. This authorization to construct the aforementioned facilities shall expire five (5) years from the date this Certificate is approved by the Commission, unless construction is committed to the point that the 345 kV transmission line is capable of operating by that time; provided, however, that prior to such expiration Applicant may request that the Commission extend this time limitation; and, provided further that, in any event, Applicant shall complete construction of the aforementioned facilities prior to the date the Bowie Power Station is ready for operation." [Decision No. 64626 at page 7, lines 18-24] [Emphasis added]

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**II.
CIRCUMSTANCES OCCASIONING REQUEST
FOR EXTENSION OF EXPIRATION DATE**

As indicated in Decision No. 64626, and the underlying evidentiary record, the transmission facilities therein authorized were planned and designed in contemplation of a 1,000 MW natural gas-fired, combined cycle electric generating plant that was authorized for siting and construction in Decision No. 64625, which was issued by the Commission on the same day as Decision 64626. In a companion request for an extension of the expiration date for the power plant CEC granted in Decision No. 64625¹, Bowie describes the circumstances which led it to delay the commencement of construction of the 1,000 MW electric generating facilities authorized in Decision No. 64626. Those same circumstances, in turn, led Bowie to delay the commencement of construction of the electric transmission system facilities authorized in Decision No. 64626.

In addition, subsequent to the issuance of Decision No. 64626, Bowie has learned that the Arizona State Land Department ("ASLD") is unwilling to grant that right-of-way alignment for the double-circuit 345 kV transmission line which had been contemplated by Bowie, the Siting Committee and the Commission at the time that Decision No. 64626 was issued. ASLD's refusal to do so is apparently the result of a recently evolved ASLD policy which opposes right-of-way alignments which do not parallel section lines. The right-of-way alignment contemplated by Decision No. 64626 contemplated diagonally transecting ASLD land in several locations in order to shorten the length of the line. As a result of this unforeseen development, Bowie would

¹ Contemporaneous with the filing of this request, Bowie is also filing a similar request for an extension of the expiration date for the CEC granted in Decision No. 64625.

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have to request an alteration or amendment of the CEC granted in Decision No. 64626, independent of those circumstances which occasioned delay in commencement of the electric generating facilities authorized in Decision No. 64625.

**III.
EXPLANATION OF PROPOSED PERIOD OF EXTENSION**

As indicated above, Bowie is requesting an extension of the expiration date for the CEC granted in Decision No. 64626 from the current March 7, 2007 date to the earlier of (i) December 31, 2008 or (ii) that date upon which the Commission issues a final and non-appealable decision in a separate proceeding regarding whether the CEC granted in Decision No. 64626 should be altered or amended. Bowie currently anticipates that it will be filing its request for such a separate proceeding (and an alteration or amendment of its CEC) pursuant to A.R.S. § 40-252 within the next few weeks. At this juncture, it does not know when a hearing on such request might occur, or when a final and non-appealable decision by the Commission thereon might be issued. However, Bowie has assumed for purposes of this request that such events would take place no later than December 31, 2008.

**IV.
CONCLUSION**

WHEREFORE, Bowie hereby requests that the Commission issue an appropriate form of decision or order extending the expiration date for the CEC granted in Decision No. 64626 from the current March 7, 2007 date to the earlier of (i) December 31, 2008 or (ii) that date upon which the Commission issues a final and non-appealable decision in a separate proceeding regarding whether the CEC granted in Decision No. 64626 should be altered or amended.

Dated this 16th day of August 2006.

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Respectfully submitted,

Lawrence V. Robertson, Jr.
Munger Chadwick, P.L.C.

and

Richard W. Tobin, II
Lewis and Roca, L.L.P.

Attorneys for Bowie Power
Station, L.L.C.

By Lawrence V. Robertson, Jr.
Lawrence V. Robertson, Jr.

Original and thirteen (13) copies of the
foregoing mailed this 16th day
of August, 2006 to:

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

A copy of the same served by e-mail or First
Class mail this same date upon:

Laurie A. Woodall, Chairman
Arizona Power Plant and Transmission Line Siting Committee
Office of the Attorney General
1275 West Washington Street
Phoenix, Arizona 85007

Ernest Johnson, Director
Utilities Division
Arizona Corporation Commission
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Christopher Kempley, Chief Counsel
Legal Division

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Environmental Compatibility ("CEC") granted by Decision No. 64625 should be altered or amended, whichever is sooner. A copy of Decision No. 64625 is attached hereto as Appendix "A" and incorporated herein by reference.

**I.
BACKGROUND**

On January 3, 2002 the Arizona Power Plant and Transmission Line Siting Committee ("Siting Committee") voted 9-1 to grant Bowie a CEC authorizing it to site and construct a natural gas-fired, combined cycle electric generating plant with an operating capacity not to exceed a minimal site rating of 1,000 megawatts (MW), as more particularly described in Decision No. 64625 (at page 2, lines 21-26 and page 3, lines 1-5) and the underlying evidentiary record. On March 7, 2002, the Commission affirmed the vote of the Siting Committee, with certain added conditions, and formally granted the aforesaid CEC by the issuance of Decision No. 64625. Condition No. 22 of the decision provided as follows:

"22. This authorization to site and construct the Project facilities shall expire five (5) years from the date this Certificate is approved by the Commission, unless construction is completed and the plant is in operation. If construction on a power block has not begun before the expiration of the five-year limit, Applicant shall no longer be authorized to begin construction on such power block. However, before such expiration, Applicant may request that the Commission extend this time limitation. [Decision No. 64625 at page 10, lines 3-8] [Emphasis added]

**II.
CIRCUMSTANCES OCCASIONING REQUEST
FOR EXTENSION OF EXPIRATION DATE**

As indicated in Decision No. 64625, the 1,000 MW natural gas-fired, combined cycle electric generating plant therein authorized was intended primarily to service southeastern Arizona markets. However, subsequent to the issuance of that decision, the previously

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contemplated market opportunities were not realized in large measure because of (i) substantial increases in the price of natural gas supplies and transportation rates, and (ii) increasing volatility in natural gas prices. As a consequence, after several years of unsuccessful efforts to contractually market the electrical output of the Bowie Power Station on a long-term basis, including participation in several competitive power procurements conducted by Arizona Public Service Company ("APS") and Tucson Electric Power Company ("TEP"), Bowie decided to re-examine and re-evaluate its previous fuel supply choice. That re-examination and re-evaluation has resulted in a decision by Bowie to change the Bowie Power Station design from a natural gas-fired, combined cycle 1,000 MW electric generating plant to an integrated gas combined cycle ("IGCC") facility of approximately 560 MW generating capability.

Bowie believes that the contemplated design change, with the attendant use of a different and more abundant and stable fuel supply, will enable it to offer electrical output from the Bowie Power Station at competitive prices in both its originally intended market area and in the rapidly developing central Arizona market area. However, this change in fuel system design and plant sizing also will necessitate an alteration or amendment of the CEC granted to Bowie in Decision No. 64625. Accordingly, Bowie has concluded to file this request, together with the request which is being contemporaneously filed in connection with the CEC granted in Decision No. 64626.

**III.
EXPLANATION OF PROPOSED PERIOD OF EXTENSION**

As indicated above, Bowie is requesting an extension of the expiration date for the CEC granted in Decision No. 64625 from the current March 7, 2007 date to the earlier of (i) December 31, 2008 or (ii) that date upon which the Commission issues a final and non-

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appealable decision in a separate proceeding regarding whether the CEC granted in Decision No. 64625 should be altered or amended. Bowie currently anticipates that it will be filing its request for such a separate proceeding (and an alteration or amendment of its CEC) pursuant to A.R.S. § 40-252 within the next few weeks. At this juncture, it does not know when a hearing on such request might occur, or when a final and non-appealable decision by the Commission thereon might be issued. However, Bowie has assumed for purposes of this request that such events would take place no later than December 31, 2008.

**IV.
CONCLUSION**

WHEREFORE, Bowie hereby requests that the Commission issue an appropriate form of decision or order extending the expiration date for the CEC granted in Decision No. 64625 from the current March 7, 2007 date to the earlier of (i) December 31, 2008 or (ii) that date upon which the Commission issues a final and non-appealable decision in a separate proceeding regarding whether the CEC granted in Decision No. 64625 should be altered or amended.

Dated this 16th day of August 2006.

Respectfully submitted,

Lawrence V. Robertson, Jr.
Munger Chadwick, P.L.C.

and

Richard W. Tobin, II
Lewis and Roca, L.L.P.

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