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PLAN
for
Northern Arizona Energy Project

Submitted by Northern Arizona Energy, LLC
March 2, 2007

In accordance with A.R.S. 40-360.02, Northern Arizona Energy, LLC (Applicant) hereby submits a plan (Plan) for the Northern Arizona Energy Project (NAEP or Project).

Northern Arizona Energy, LLC, an affiliate of LS Power Generation, LLC, proposes to construct a small electric generating facility comprising four simple-cycle gas turbine generators of approximately 45 MW each. It will be located on a 40-acre portion of the original 160 acre site covered by the Certificate of Environmental Compatibility ("CEC") issued by the Commission in 1998 for the existing Griffith Energy combined-cycle generating facility in Mohave County, Arizona. The proposed new peaking generation facility will be known as the *Northern Arizona Energy Project* ("NAEP"). This project was initially announced publicly as the "Arroyo Energy Project", but was renamed the "Northern Arizona Energy Project".

A.R.S. 40-360.02 provides, in subsection B, that, at least 90 days prior to filing an application for a CEC to site a new generating plant, the applicant is to file a "plan" with the Commission.

For good cause, as explained in the Petition filed with the Commission concurrently with this Plan, Applicant is filing this Plan, with one omission explained below, concurrently with its Application for a CEC for this Project.

Project Summary

The Project is comprised of four (4), General Electric LM6000 PC SPRINT NxGen combustion turbine generators ("CTG" or "unit") with inlet air chillers. The Project will be designed to produce 175 MW of net electrical output with a heat rate of 9975 Btu/kWh (HHV) based upon the design condition ambient temperature of 90 degrees Fahrenheit (°F). The CTGs are capable of rapid start-up, allowing the Project to respond to fluctuations in electric demand within ten (10) minutes.

Emissions from the CTGs will be controlled by a combination of water injection and selective catalytic reduction to reduce nitrogen oxides emissions and an oxidation catalyst to reduce carbon monoxide and volatile organic compound emissions.

The NAEP will interconnect with the Western Area Power Administration ("Western") integrated transmission system at the existing Griffith Switchyard adjacent to the NAEP site, and all generation from the NAEP will be transmitted via Western's 230kV transmission system to the ultimate load serving utilities.

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Existing infrastructure for the gas, water and electric interconnections and access roads are available to the Project within its property boundary or the adjacent property containing the existing Griffith Energy Project. No new laterals or other off-site infrastructure development are required for the Project, thereby minimizing the environmental impacts associated with the Project.

Plan Information

In compliance with A.R.S. 40-360.02, the specific information to be provided in the Plan is as follows:

1. **The size and location of any transmission lines or location of each plant proposed to be constructed.**

   The Project is located in Mohave County Arizona, just west of Interstate 40, approximately three (3) miles north of the Griffith Interchange. The Project is approximately 110 miles southeast of Las Vegas, Nevada via Arizona Highway 93 and 200 miles to the northwest of Phoenix, Arizona. The Project is within the existing I-40 Industrial Corridor just north of Griffith.

   The Project is located on an approximately forty (40) acre parcel of land comprising North approximately 700 feet of the Southwest Quarter of Section 6, T. 19 N., R. 17 W., G&SRB&M.

   The route of the approximately 2700 feet of 230 kV transmission lines necessary to interconnect the Project generators to the neighboring Griffith Switchyard will be across the southern portion of the 40-acre Project Property, then South inside the Griffith Project property to the Eastern edge of the Griffith Switchyard. There will be no new transmission lines emanating outside of the combined NAEP and Griffith properties.

2. **The purpose to be served by each proposed transmission line or plant.**

   The Project will supply power to load serving entities in Arizona and surrounding regions for the purpose of serving their customers during periods of peak electricity demand.

3. **The estimated date by which each transmission line or plant will be in operation.**

   Depending upon timing of receipt of the required permits and regulatory approvals authorizing construction, and the execution of power sales agreements with customers, the estimated date of operation is June 2008, at the earliest, or alternatively June 2009.

4. **The average and maximum power output measured in megawatts of each plant to be installed.**

The Project will be designed to produce 175 MW of net electrical output with a heat rate of 9975 Btu/kWh (HHV) based upon the design condition ambient temperature of 90 degrees Fahrenheit (°F). Each of the four (4) combustion turbine generators can operate individually therefore the output can range from a minimum of approximately 25 MW (one unit running at minimum load) to 175 MW with all four (4) units operating at maximum load. Combustion turbine generators are typically dispatched to operate at full load given their service requirements to meet peak demand.

5. **The expected capacity factor for each proposed plant.**

The amount of operating hours and startups for any individual simple cycle unit is dependent on (i) the location, (ii) the load profiles of the customer, (iii) fuel prices, and (iv) the general power market supply and demand conditions. A typical operating profile for a simple cycle turbine will be 1500-3000 operating hours and 150-250 start-ups per year. The actual annual operating hours and startups of the Project will be determined by the economic dispatch of each unit as determined by customer needs. The expected operating hours, including startup and shutdown periods, for the NAEP is 2500 hours per year. This represents an annual capacity factor if just under 30% (28.54%).

6. **The type of fuel to be used for each proposed plant.**

The NAEP will be fueled by natural gas only.

7. **The plans for any new facilities shall include a power flow and stability analysis report showing the effect on the current Arizona electric transmission system. Transmission owners shall provide the technical reports, analysis or basis for projects that are included for serving customer load growth in their service territories.**

At the earliest stages of planning for the NAEP, a federally-required Generation Interconnection Application was filed with Western pursuant to Western's Open Access Transmission Tariff; and that application was accepted as complete on September 28, 2006. Western's processes for responding to such matters do not generally move quickly; and in this case, diligent efforts of the representatives of Western and Applicant produced a final "Interconnection System Impact Study" Agreement that was executed on December 22, 2006. Pursuant to that study agreement, Western, as the transmission owner, is currently proceeding to perform a System Impact Study ("SIS") that will examine the power flow and stability impacts of the NAEP generators on the current Arizona electric transmission system. Unfortunately, Applicant has no control over the timing of Western's completion of the SIS, which is presently projected to require an additional 60-90 days. Applicant commits to provide the SIS as soon as it is completed by Western.