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SALT RIVER PROJECT

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AZ CORP COMMISSION
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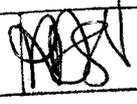
KELLY J. BARR, ESQ.

Manager, Regulatory Affairs & Contracts

April 30, 2008

Arizona Corporation Commission
DOCKETED

APR 30 2008

DOCKETED BY 

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

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

Dear Commissioners:

Enclosed please find SRP's twenty-sixth 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 13 copies

Richard H. Silverman, General Manager
Richard M. Hayslip, Associate General Manager, Environmental, Human
Resources, Land, Risk Management & Telecom

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-00-0105-00000

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

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- Richard Tobin Designee for the Arizona Department of Environmental Quality
- Dennis Sundie Designee for the Director of the Department of Water Resources
- Mark McWhirter Designee for the Director of the Energy Office of the Arizona Department of Commerce
- George Campbell Appointed Member
- Jeff Mcguire Appointed Member
- A. Wayne Smith Appointed Member
- Sandie Smith Appointed Member
- Mike Whalen Appointed Member

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

The Arizona Corporation Commission has considered the grant by the Power Plant and Line Siting Committee of a Certificate of Environmental Compatibility to SRP and finds that the provisions of A.R.S. §40-360.06 have complied with, and, in addition, that documentary evidence was presented regarding the need for the Santan Expansion Project. Credible testimony was presented concerning the local generation deficiency in Arizona and the need to locate additional generation within the East Valley in order to 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 ~ Maricopa County was delegated authority by EPA to issue and
8 administer air quality permits consistent with federal regulations.
9 Maricopa County has a unified permitting program, which allows the
10 County to issue a single permit for pre-construction approval of new
11 sources and ongoing operating requirements. SRP received a permit
12 from Maricopa County in 2002 that included a requirement to obtain
13 emission offsets for PM10 and Volatile Organic Compounds (VOCs).
14 The PM10 offset requirement included a stipulation that SRP would
15 comply with a future Maricopa County rule on PM10 emission offsets
16 from road paving prior to operating the plant. Under an agreement with
17 Maricopa County Department of Transportation, SRP paid for the
18 pavement of dirt roads well in advance of the new units becoming
19 operational. Because Maricopa County Environmental Services
20 Department had not yet initiated any action on a PM10 offset
21 rulemaking, SRP applied for and received a minor permit revision from
22 Maricopa County in December 2003 that allowed SRP to pave roads to
23 secure sufficient PM10 offsets consistent with current protocols and
24 then demonstrate compliance with a new County road paving offset rule
25 within months of the rule becoming final.***

***While SRP has constructed and operated the plant in compliance with
all substantive requirements of its air quality permit with Maricopa
County, EPA issued a Notice of Violation (NOV) alleging that the
issuance of the permit to SRP by Maricopa County was invalid on
procedural grounds relating to the County's inability to issue SRP a
minor permit revision for offsets and the lack of County rule-making on
offsets. SRP elected to resolve this issue with EPA pursuant to a
Consent Agreement and Final Order (CAFO) dated September 27, 2007,
because it believed the fundamental dispute was between EPA and
Maricopa County, and not with SRP. SRP did not admit to the specific
allegations made by EPA.***

***Pursuant to the CAFO, SRP paid a civil administrative penalty of
\$12,500 and will either perform a Supplemental Environmental Project
consisting of the paving of a previously unpaved road at a cost of at
least \$37,500 or will pay EPA \$37,500 if the Supplemental Environmental
Project cannot be completed. EPA is now processing the new County
rule for offsets. Under the new County PM10 offset rule, SRP will not be
required to obtain additional PM10 offsets for Santan to conform to the
new rule.***

1 **On April 6, 2007, SRP provided Maricopa County Air Quality Department**
2 **(MCAQD) with an excess emission notification pertaining to excess**
3 **volatile organic compounds (VOC) emissions that were emitted from**
4 **Unit 6A at the Santan Generating Station (SGS). SRP stated in that**
5 **notification that the excess VOC emissions likely resulted from a**
6 **malfunction of one or more of the fuel nozzles in Unit 6A. On August**
7 **17, 2007, MCAQD issued to SRP an NOV asserting that SGS Unit S-6A**
8 **failed to comply with the VOC emission rates and concentration limits**
9 **during a scheduled performance test.**

10 **Maricopa County Rule 140, Section 401, states that excess emissions**
11 **due to a malfunction are considered to be a violation. The rule further**
12 **states, however, that a source has an affirmative defense to a civil or**
13 **administrative enforcement proceeding based on such a violation if the**
14 **source can demonstrate that several conditions were met. SRP**
15 **believes that it met each of the conditions for the affirmative defense to**
16 **the NOV because the excess emissions were the result of an**
17 **unavoidable equipment breakdown, SRP acted expeditiously to repair**
18 **the equipment, and SRP took all reasonable steps to minimize the**
19 **impact of the excess emissions on ambient air quality, in addition to**
20 **other factors. SRP provided the County a letter explaining the**
21 **unavoidable nature of the event and the steps that SRP took to**
22 **minimize any impact from the equipment malfunction. The County**
23 **evaluated SRP's letter setting out its affirmative defense along with the**
24 **NOV and after further discussions with SRP, informed SRP on April 14,**
25 **2008 that it would not pursue any further enforcement action relating to**
 the NOV.

On April 24, 2008, SRP orally reported to the Maricopa County Air
 Quality Department (MCAQD) that SRP recently discovered that excess
 emissions for Volatile Organic Compounds (VOC) occurred during a
 performance test conducted on Santan Unit 5B on February 23, 2007.
 SRP provided follow up written notification to MCAQD on April 25, 2008.
 We will provide periodic updates on the outcome after SRP and the
 County have had an opportunity to complete their review of the issue.

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

Status ~ Unit 6 was declared in commercial operation on March 1, 2006.
 Unit 5 (the 2-on-1 units) began commercial operation on April 1, 2005.
 With the completion of Unit 6, the Santan Expansion Project is
 complete. SRP constructed the Project within the five year timeframe
 and has satisfied this condition of the CEC.

- 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 a member of the WECC, the successor to the WSCC,
12 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 a member of the Southwest Reserve Sharing Group and
16 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 has complied 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 all of the landscaping at the site. A new gate in the
24 northeast corner of the site was installed in September 2007.***

25 ***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. In August 2007 SRP
submitted a check for its fourth annual maintenance payment of \$49,884
to the Town of Gilbert for disbursement to the 18 HOAs.***

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, all of the landscaping work at the site
21 has been completed.***

- 22 10. Applicant shall operate the Project so that during normal operations the
23 Project shall not exceed the most restrictive of applicable (i) HUD residential
24 noise guidelines, (ii) EPA residential noise guidelines, or (iii) applicable City
25 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 took noise
readings at various locations along the plant boundary three times per
week to ensure compliance with noise guidelines and standards. SRP
also conducted additional noise testing during nighttime construction
activities, such as concrete pours.***

***Since Unit 5 began commercial operation on April 1, 2005, plant
personnel have been conducting additional off-site noise testing at the***

1 *sites designated by the Santan Neighborhood Committee (SNC) on the*
2 *north, east and south sides of the plant boundaries. The SNC is*
3 *responsible for establishing the locations, timing and frequency of the*
4 *off-site noise tests. At the February 20, 2008 SNC meeting, the SNC*
5 *recommended that SRP discontinue taking off-site noise readings*
6 *because all of the readings so far indicated that the plant does not*
7 *contribute to ambient noise in the neighborhoods where measurements*
8 *were being taken. As a result of this SNC recommendation, off-site*
9 *noise testing by SRP has been discontinued. For more information on*
10 *the SNC, please refer to condition 19.*

- 11 11. Applicant will work with the Gilbert Unified School District to assist it in
12 converting as many as possible of its school bus fleet to green diesel or
13 other alternative fuel, as may be feasible and determined by Gilbert Unified
14 School District, and will contribute a minimum of \$330,000 to this effort.

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

- 16 12. Applicant shall actively work with all interested Valley cities, including at a
17 minimum, Tempe, Mesa, Chandler, Queen Creek and Gilbert, to fund a
18 Major Investment Study through the Regional Public Transit Authority to
19 develop concepts and plans for commuter rail systems to serve the growing
20 population of the East Valley. Applicant will contribute a maximum of
21 \$400,000 to this effort.

22 **Status ~ Phase 2 of the Gilbert Transportation Study (the Gilbert Bicycle
& Pedestrian Plan) is complete. The Gilbert Transportation Study was
developed to integrate with the Maricopa Association of Government's
(MAG) Transit Study. The final Plan and Development Guidelines were
submitted and accepted by the Town of Gilbert.**

23 ***Phase 3 of the Plan is to implement portions of the study by building
bridges over key canal modal points for connectivity. The consulting
firm of NFra was selected to design the bridges on behalf of the Town of
Gilbert. The bridge design is in its final stages with proper clearances
identified for maintenance purposes. The next milestone to be
completed is the final award for the bridge construction.***

- 24 13. Within six months of approval of this Order by the Arizona Corporation
25 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.

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

6 ***Status ~ Through March 2008, SRP has delivered a total of 110,521 acre
7 feet of CAP water to GRUSP. In addition, SRP has delivered 17,520 acre
8 feet of CAP water to the New River - Agua Fria Underground Storage
9 Project (NAUSP). Total CAP water delivered for storage is 128,041 acre
10 feet. CAP water is stored for future use via recovery from any SRP
11 owned wells (Association or District) and delivered to SEP from the
12 Eastern Canal (or onsite District wells). SRP will continue to store CAP
13 water in GRUSP and NAUSP through 2011 for recovery and use. To
14 meet ongoing operational water demands, SEP continues to use SRP
15 surface water and CAP water (both directly and via recovery of storage
16 credits from SRP owned wells).***

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

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

- 23 16. Applicant agrees to maintain on file with the Town of Gilbert safety and
24 emergency plans relative to emergency conditions that may arise at the
25 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 is in compliance with all safety standards including
secondary containment for bulk materials (chemicals) and development
of evacuation procedures for plant personnel. The plant's Emergency
Response/Contingency Plan is available on the Santan website.
Additionally, a detailed copy of the Emergency 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).***

- 1 17. In obtaining air offsets required by EPA and Maricopa County, Applicant will
2 use its best efforts to obtain these offsets as close as practicable to the plant
3 site.

4 ***Status ~ SRP acquired emission reduction credits from the Phoenician
5 and Oak Canyon Manufacturing sufficient to satisfy the 72 ton VOC
6 offset requirement contained in the Santan air quality permit. In
7 addition, SRP, in cooperation with the Maricopa County Department of
8 Transportation (MCDOT), has obtained sufficient PM10 offsets for Units
9 5 and 6 by paving roads in the east valley, starting with roads closest to
10 the plant site.***

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

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

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

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

***Status ~ The Santan Neighborhood Committee (SNC) held a meeting on
February 20, 2008. Two of the six representatives of the surrounding
neighborhoods were present. Santan personnel provided additional
monthly data on emissions, water discharges, and off-site noise
readings taken since the last meeting. The SNC recommended to SRP
that SRP discontinue taking off-site noise readings because all readings
so far indicated that the plant does not contribute to ambient noise in
the neighborhoods where measurements are being taken. SRP
personnel reported on the results developed from the data collected at***

1 **the SRP Ambient Air Monitoring Station over the past four years. The**
2 **final report on the impact of SEP on ambient conditions should be**
3 **available before the next meeting. At that time, SRP will send the report**
4 **to the members. SRP will seek agreement that the Ambient Air**
5 **Monitoring Station is no longer needed and can be removed and used**
6 **for other purposes at the next SNC meeting scheduled for May 14, 2008.**

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

Status ~ SRP explored the option of reduced plume cooling towers via the specification and bidding process for this equipment but found the limited availability, prohibitive cost and additional height requirements of the plume abatement technology to supersede the potential benefits at this time. SRP continues to monitor cooling tower technology and has found no proven methods that would be feasible for use at SEP. However, SRP is funding a research project with ASU to determine the feasibility of a new method to reduce the plume in cooling towers. If this project is successful and if the results can be applied to the type of cooling towers at SEP, SRP will consider this new technology for inclusion at SEP. This project is in the beginning stages and if successful, it would be a number of years before it could be implemented at SEP.

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

Status ~ SRP completed the sale of the SEP gas pipeline to El Paso Natural Gas Company and Transwestern Pipeline Company.

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

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

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

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

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

3 ***Status ~ A representative of the Arizona Department of Health Services***
4 ***serves on the Santan Neighborhood Committee. The representative's***
5 ***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.

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

9 ***Status ~ SRP has an environmental management system (EMS)***
10 ***designed to assure compliance with applicable laws and regulations.***
11 ***The Santan Generating Station is integrated in the SRP EMS.***
12 ***Procedures and Environmental Information Management Systems***
13 ***(EIMS) have been modified to incorporate the new requirements***
14 ***associated with the Santan Expansion Project. Plant personnel***
15 ***responsible for meeting environmental compliance have received***
16 ***training on the new requirements. SRP continues to implement its EMS***
17 ***to ensure continued compliance with all applicable environmental***
18 ***regulations and requirements.***

19 ***For additional information on SRP's efforts to comply with federal,***
20 ***state, county and city environmental regulations, please refer to***
21 ***condition 1.***

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

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

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

32 ***Status ~ SRP has installed continuous emission monitoring equipment***
33 ***on the new units. Information on the continuous emission monitoring***
34 ***equipment and the emissions data is available on the website for the***
35 ***SEP.***

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

3 **Status** ~ There are eight SRP obligations noted in the IGA, all of which
4 have been completed. A description of each obligation follows:

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

7 **Screening of the Plant** ~ All of the screening is complete.

8 **Trail Extension** ~ In the "Trails Area" to the east of the power plant,
9 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.

10 **Rerouting of Canal at Ray Road** ~ This canal modification is complete.

11 **Training Tower Removal** ~ This training tower was removed in the fall of
12 2000.

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

15 **Dust Control Along Canals** ~ SRP is in compliance with applicable PM-
16 10 standards along SRP canal banks.

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

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

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

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

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

6 31. Applicant will construct the heat recovery steam generators ("HRSG")
7 approximately 15 feet below grade and will construct the HRSGs so that the
8 overall height of the HRSG module from the natural grade is no more than
9 80 feet.

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

11 32. Applicant will complete the installation of the dry low NOX burners on the
12 existing units prior to the construction of the new units.

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

14 33. Applicant shall not transfer this Certificate to any other entity for a period of
15 20 years from the date of approval by the Corporation Commission, other
16 than as part of a financing transaction where operational responsibilities will
17 remain with Applicant, and where Applicant will continue to operate the plant
18 in accordance with this Certificate.

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

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

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

25 GRANTED this ___ day of February, 2001

ARIZONA POWER PLANT AND TRANSMISSION
LINE SITING COMMITTEE

By Paul A. Bullis
Its Chairman

- **NOx – 2 ppm w/o duct firing; 2 ppm w/ duct firing**
- **VOC – 1 ppm w/o duct firing; 2 ppm w/ duct firing**
- **PM10 - .01 lb/mmBtu**

36. Due to the plant's location in a non-attainment area, the Applicant shall not 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 do not have diesel fuel-burning capability.

On March 3, 2004, the Maricopa County Environmental Services Department, now the Maricopa County Air Quality Department (MCAQD), 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 fuel. In addition, the revised air permit includes a separate condition stating that SRP cannot use the fuel unless previously authorized by the ACC. SRP will continue to fully comply with Condition 36 of the CEC that prohibits the use of diesel fuel in any Santan unit unless amended by the ACC on an emergency basis at some future time.

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.

1 39. Applicant shall provide \$20,000 to the Pipeline Safety Revolving Fund on
2 an annual basis, thus improving the overall safety of pipelines throughout
3 the State of Arizona.

4 ***Status ~ In March 2008, a check for \$20,000 was sent to the Arizona
5 Corporation Commission, for deposit in the Pipeline Safety Revolving
6 Fund. This check satisfies compliance with this condition for the year
7 ending April 30, 2008. A copy of the letter is included as Appendix A.
8 Subsequent checks will be distributed in the March/April timeframe
9 each year.***

10 40. Where feasible, Applicant shall strive to incorporate local and in-state
11 contractors in the construction of the three new generation units for the
12 expansion project.

13 ***Status ~ Every effort was made to incorporate local contractors for this
14 project. Over one hundred-eleven local or in-state contractors were
15 used on this project.***

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

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

21 **APPROVED AS AMENDED BY ORDER OF THE ARIZONA CORPORATION
22 COMMISSION**

23 _____
24 Chairman

25 _____
Commissioner

Commissioner

In Witness hereof, I, Brian C. McNeil,
Executive Secretary of the Arizona
Corporation Commission, set my hand
and cause the official seal of this
Commission to be affixed this ____ day
of _____, 2001.

By: _____
Brian C. McNeil
Executive Secretary

Dissent: _____



SALT RIVER PROJECT

P. O. Box 52025
Phoenix, AZ 85072-2025
(602) 236-5262
Fax (602) 236-3458
kjbarr@srpnet.com

KELLY J. BARR, ESQ.

Manager, Regulatory Affairs & Contracts

March 13, 2008

Mr. Robert Miller
Supervisor, Pipeline Safety Section
Arizona Corporation Commission
2200 N. Central Ave., Suite #300
Phoenix, Arizona 85004

Dear Mr. Miller:

On May 1, 2001 the Commission granted SRP a Certificate of Environmental Compatibility (CEC) for the Santan Expansion Project in Decision Number 63611. Condition 39 of the CEC decision requires that "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."

In our continued compliance with that provision, SRP is submitting a check in the amount of \$20,000, made payable to the Arizona Corporation Commission, for deposit in the Pipeline Safety Revolving Fund. This check should fully satisfy compliance with Condition 39 for the year ending April 30, 2008.

Please feel free to contact me if you have additional questions or concerns.

Sincerely,

A handwritten signature in cursive script that reads "Kelly J. Barr".

Kelly J. Barr

Enc.

cc: Docket Control
Barry Drost, Manager, Santan Generating Station