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ORIGINAL

BEFORE THE ARIZONA POWER PLANT

AND TRANSMISSION LINE SITING COMMITTEE

IN THE MATTER OF THE APPLICATION OF COOLIDGE POWER CORPORATION IN THE CONFORMANCE WITH THE REQUIREMENTS OF ARIZONA REVISED STATUTES 40-360.03 AND 40-360.06, FOR A CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY AUTHORIZING CONSTRUCTION OF A NOMINAL 575 MW NATURAL GAS-FIRED, SIMPLE CYCLE GENERATING FACILITY LOCATED WITHIN THE CITY OF COOLIDGE IN PINAL COUNTY, ARIZONA.	DOCKET NO. L-00000HH-08-0422-00141 CASE NO. 141 **NOTICE OF FILING**

Staff of the Arizona Corporation Commission hereby files the power point presentation of Bob Gray, of the Utilities Engineer Division in the above-referenced matter.

RESPECTFULLY SUBMITTED this 26th day of September, 2008.

Nancy Scott

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Original and twenty-five (25) copies of the foregoing filed this 26th day of September, 2008 with:

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mailed/e-mailed this 26th day of
September, 2008 to:

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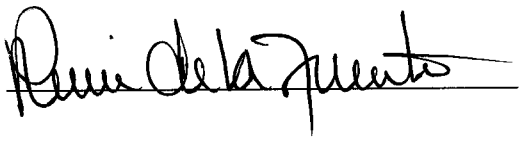
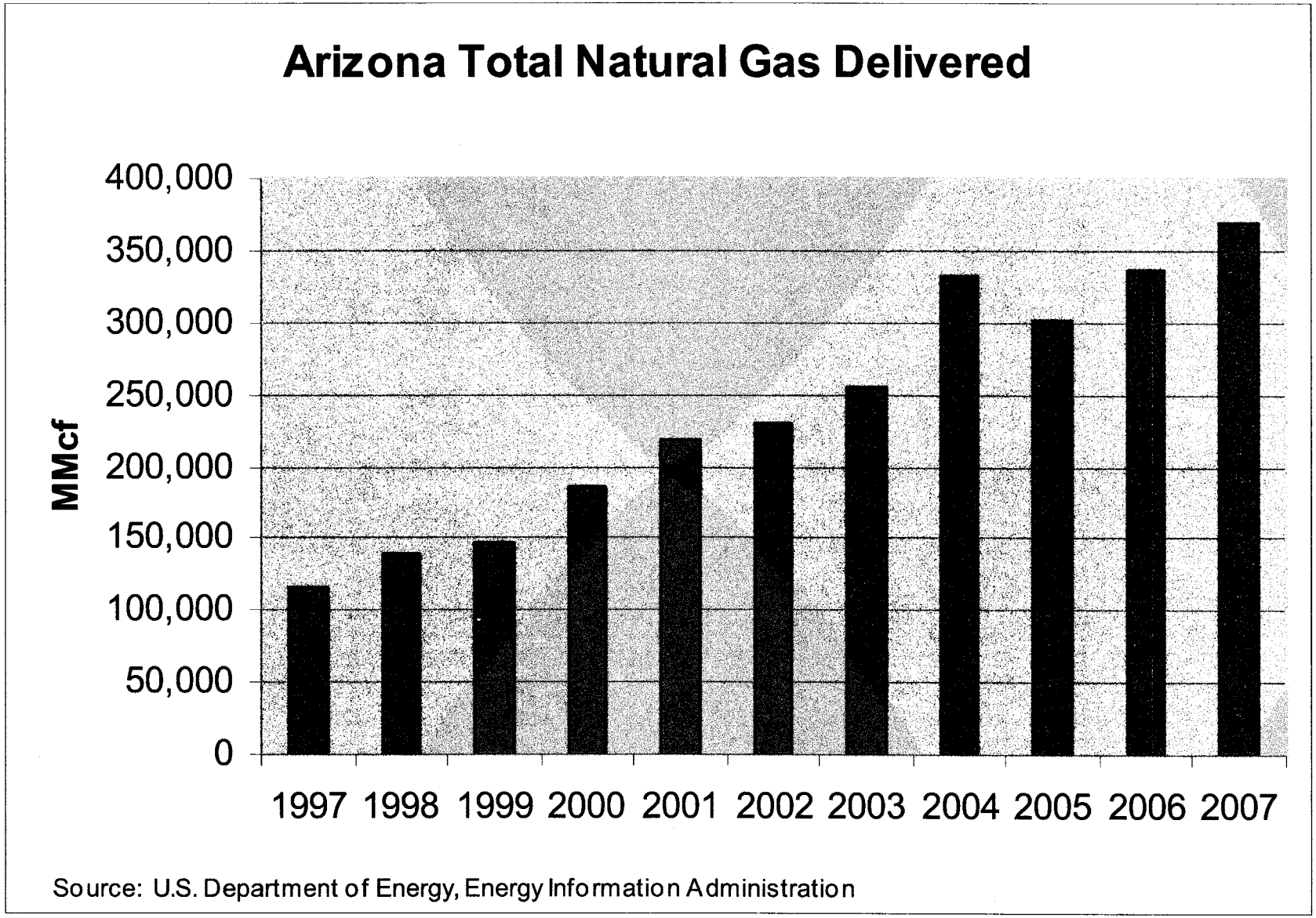


Summary of Natural Gas Issues

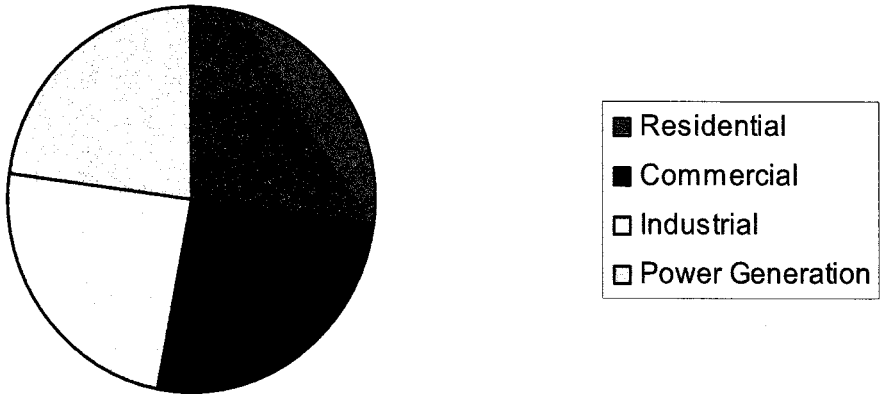
Bob Gray, ACC Staff

September 2008

Docket Number: L-00000HH-08-0422-00141

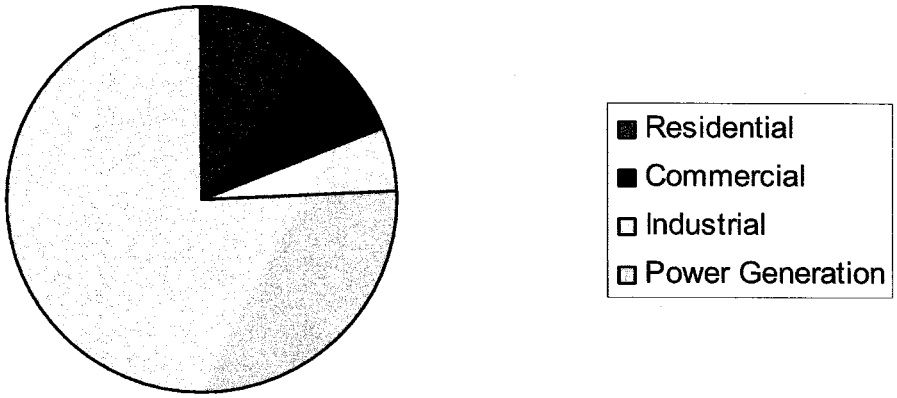

Arizona Total Natural Gas Delivered
MMcf
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007
Source: U.S. Department of Energy, Energy Information Administration

Arizona Delivered Volumes by Sector - 1997



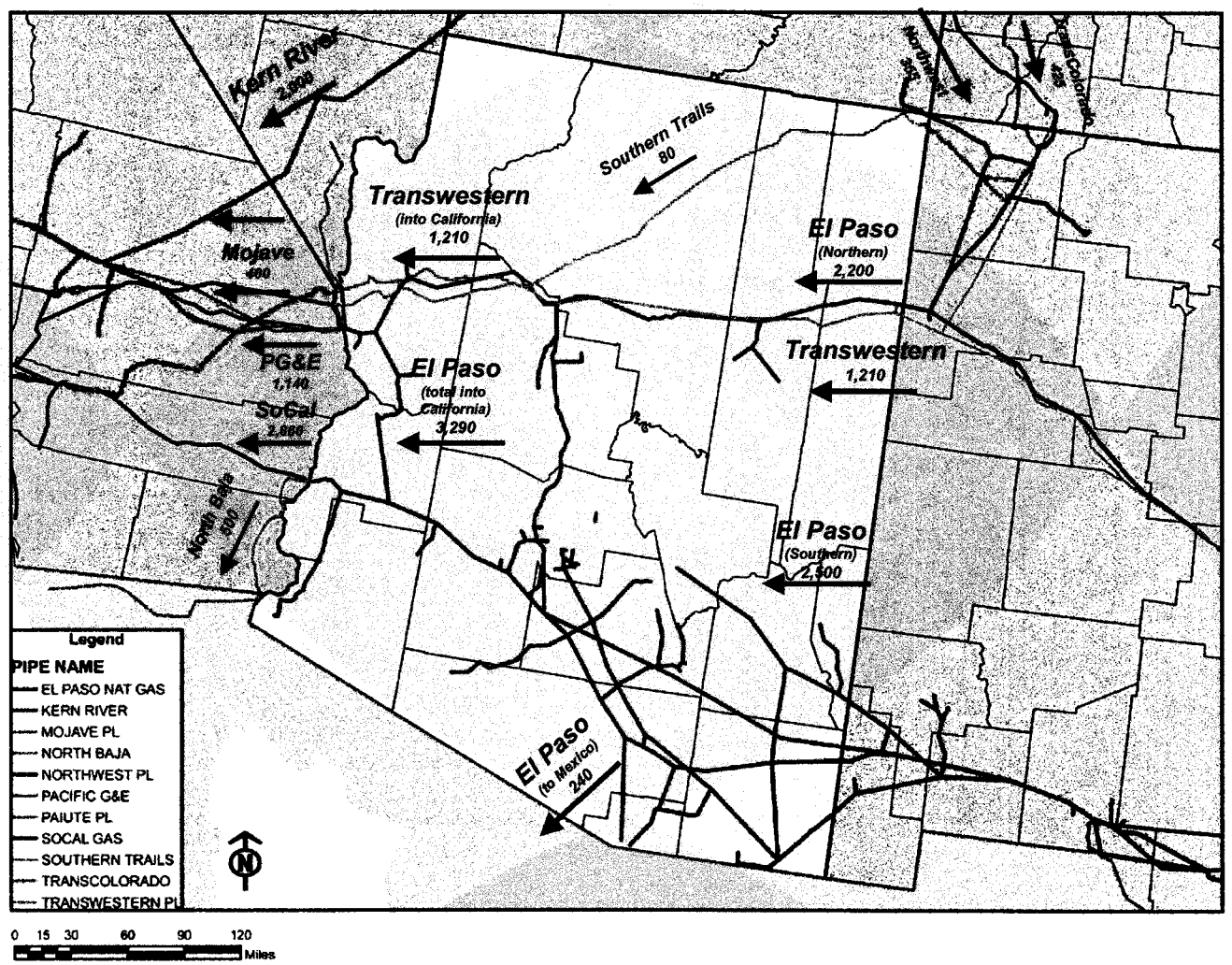
Source: U.S. Department of Energy, Energy Information Administration

Arizona Delivered Volumes by Sector - 2007



Source: U.S. Department of Energy, Energy Information Administration

Natural Gas Pipelines In Arizona and Surrounding States



Source: Arizona Natural Gas Market and Infrastructure Study, EEA, January 5, 2006

The Coolidge Generating Station Project

- The project could access natural gas supplies via El Paso's southern system as well as Transwestern's Phoenix Expansion pipeline, both of which are nearby
- Salt River Project would be responsible for providing the natural gas supply for the plant
- The application indicates the plant will use 5,113 MMBtus of natural gas per hour or 122,700 MMBtus per day.

Recent Natural Gas Market Developments in Arizona

- On June 30, 2008, El Paso filed a new general rate case proceeding at the Federal Energy Regulatory Commission (FERC). FERC issued an initial order on August 5, 2008. The rate case is now in the technical conference phase.
- The Transwestern Phoenix Expansion project, which terminates near Coolidge, Arizona, is currently under construction and it is expected to begin service in late 2008
- The Costa Azul liquid natural gas import facility in Baja Mexico began operation in the spring of 2008
- Several parties continue to pursue possible construction of a natural gas storage facility in Arizona, but at this time it is unclear if or when a natural gas storage facility will be constructed in Arizona
- In June 2008 Southern California Gas Company filed with the California Public Utilities Commission to open its southern California natural gas storage facilities to access for interstate purposes

Policy Issues Related to Additional Gas-Fired Generation in Arizona

- Arizona's growing dependence on natural gas to meet its electricity needs reflects a broader national trend, with natural gas-fired generation representing the path of least resistance to meet growing electricity demand
- The lack of market area natural gas storage in Arizona leads to operational and reliability concerns
- Despite recent discoveries of prolific natural gas supplies in shale formations in North America, over a long term timeframe Arizona, and the United States, is expected to become more dependent on natural gas imports in a pattern broadly mirroring our nation's growing dependence on imported oil

Summary

- Salt River Project has contracted for pipeline capacity on the Transwestern and El Paso pipeline systems to meet its natural gas supply needs for a number of generating stations in central Arizona
- Staff believes that Salt River Project can meet the natural gas supply needs of the Coolidge generating station as part of its overall natural gas supply portfolio
- As a matter of general policy, Commission Staff continues to be concerned with Arizona's growing reliance on natural gas for electric generation
- However, given the peaking nature of this project, which is a role traditionally served in large part by natural gas-fired generating units, Staff's concern in this particular case are lessened in comparison to a situation where further baseload natural gas generation would be proposed

Proposed Conditions

If the application in this case is approved, Staff recommends adoption of the following natural gas-related conditions:

- Applicant will participate in good faith in Arizona and regional workshops and other assessments of the natural gas infrastructure and market.
- Applicant shall pursue all necessary commercially reasonable steps to ensure a reliable supply and delivery of natural gas for the Project.

These conditions have been adopted in a number of other recent siting cases for natural gas-fired electric generation stations, including Case No. 134 for the proposed Northern Arizona Energy generating facility, Case No. 116 for the proposed La Paz generating facility, and Case No. 114 for the proposed Wellton-Mohawk generating facility.

Proposed Conditions, continued

If the application in this case is approved, Staff recommends adoption of the following natural gas-related condition:

"Before commencing construction of Project facilities located parallel to and within 100 feet of any existing natural gas or hazardous liquid pipeline, the Applicant shall:

(a) Perform the appropriate grounding and cathodic protection studies to show that the Project's location parallel to and within 100 feet of such pipeline results in no material adverse impacts to the pipeline or to public safety when both the pipeline and the Project are in operation. If material adverse impacts are noted in the studies, Applicant shall take appropriate steps to ensure that such material adverse impacts are mitigated. Applicant shall provide to Commission Staff reports of studies performed; and

(b) Perform a technical study simulating an outage of the Project that may be caused by the collocation of the Project parallel to and within 100 feet of the existing natural gas or hazardous liquid pipeline. This study should either: i) show that such outage does not result in customer outages; or ii) include operating plans to minimize any resulting customer outages. Applicant shall provide a copy of this study to Commission Staff."