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December 13, 2000

ARIZONA CORPORATION COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission

DOCKETED

DEC 13 2000

Arizona Corporation Commission
Docket Control
1200 W. Washington
Phoenix, AZ 85007

DOCKETED BY	CP
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Re: *Santan Expansion Project*
Case No. 105

Dear Madam/Sir:

Pursuant to Paul Bullis' request, enclosed are the original and 25 copies of the draft of the CEC order and conditions which were submitted to the Power and Line Siting Committee on December 12, 2000.

Very truly yours,

Michele R. Irons
Legal Assistant

MRI/mlt
Enclosure

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.)

Case No. 105

Docket No. L-00000B-00-0105

Decision No. _____

11 **CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY**

12 Pursuant to notice given as provided by law, the Arizona Power Plant and
13 Transmission Line Siting Committee (the "Committee") held public hearings at the
14 Dobson Ranch Inn, 1644 South Dobson Road, Mesa, Arizona, on September 14, 2000,
15 in conformance with the requirements of Arizona Revised Statutes section 40-360 *et*
16 *seq.*, for the purpose of receiving evidence and deliberating on the Application of Salt
17 River Project Agricultural Improvement and Power District ("Applicant") for a Certificate
18 of Environmental Compatibility in the above-captioned case (the "Application").

19 The following members or designees of members of the Committee were present
20 for the hearing on the Application:

21 Paul A. Bullis	Chairman, Designee for Arizona Attorney General Janet Napolitano
22 Steve Olea	Designee of Chairman of the Arizona Corporation Commission
23 Richard Tobin	Designee for the Arizona Department of Environmental Quality

1 Dennis Sundie Designee for the Director of the Department of Water
2 Resources

3 Mark McWhirter Designee for the Director of the Energy Office of the Arizona
4 Department of Commerce

5 Sandie Smith Appointed Member

6 Mike Whalen Appointed Member

7 George Campbell Appointed Member

8 A. Wayne Smith Appointed Member

9 Jeff McGuire Appointed Member

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

17 The Arizona Corporation Commission has considered the grant by the Power
18 and Line Siting Committee of a Certificate of Environmental Compatibility to SRP and
19 finds that the provisions of A.R.S. §40-360.06 have complied with, and, in addition, that
20 documentary evidence was presented regarding the need for the Santan Expansion
21 Project. Credible testimony was presented concerning the local generation deficiency in
22 Arizona and the need to locate additional generation within the East Valley in order to
23 minimize transmission constraints and ensure reliability of the transmission grid. The
24 evidence included a study that assessed the needs of the East Valley. The analysis
25

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 Accordingly, pursuant to A.R.S. §40-360.07(B), the Commission has balanced in
8 the broad public interest, the need for an adequate, economical and reliable supply of
9 electric power with the desire to minimize the effect thereof on the environment and
10 ecology of this State.
11

12 At the conclusion of the hearing and deliberations, the Committee, having
13 received and considered the Application, the appearance of Applicant and all
14 intervenors, the evidence, testimony and exhibits presented by Applicant and all
15 intervenors, the comments made by persons making limited appearances and the
16 comments of the public, and being advised of the legal requirements of Arizona Revised
17 Statutes Sections 40-360 to 40-360.13, upon motion duly made and seconded, voted to
18 grant Applicant the following Certificate of Environmental Compatibility (Case No. L-
19 00000B-00-0105):

20 Applicant and its assignees are granted a Certificate of Environmental
21 Compatibility authorizing the construction of an 825 megawatt generating facility
22 consisting of three combined cycle units with a total net output of 825 megawatts
23 together with related infrastructure and appurtenances, in the City of Gilbert, on
24 Applicant's existing Santan Generating Station site, and related switchyard and
25 transmission connections, as more specifically described in the Application (collectively,
the "Project"). Applicant is granted flexibility to construct the units in phases, with

1 different steam turbine configurations, and with different transmission connection
2 configurations, so long as the construction meets the general parameters set forth in the
3 application.

4 This certificate is granted upon the following conditions:

- 5 1. Applicant shall comply with all existing applicable air and water pollution
6 control standards and regulations, and with all existing applicable
7 ordinances, master plans and regulations of the State of Arizona, the City
8 of Tempe, the County of Maricopa, the United States, and any other
9 governmental entities having jurisdiction.
- 10 2. This authorization to construct the Project will expire eight (8) years from
11 the date the Certificate is approved by the Arizona Corporation
12 Commission unless construction of the Project is completed to the point
13 that the project is capable of operating at its rated capacity; provided,
14 however, that Applicant shall have the right to apply to the Arizona
15 Corporation Commission for an extension of this time limitation.
- 16 3. Applicant's project has two (2) approved transmission lines emanating
17 from its power plant" transmission switchyard and interconnecting with the
18 existing transmission system. This plant interconnection must satisfy the
19 single contingency criteria (N-1) without reliance on remedial action such
20 as a generator unit tripping or load shedding.
- 21 4. Applicant shall use reasonable efforts to remain a member of WSCC, or
22 its successor, and shall file a copy of its WSCC Reliability Criteria
23 Agreement or Reliability Management System (RMS) Generator
24 Agreement with the Commission.
- 25 5. Applicant shall use reasonable efforts to remain a member of the
Southwest Reserve Sharing Group, or its successor.
6. To the extent that they are applicable to Applicant, Applicant shall meet all
the requirements for groundwater set forth in the Third Management Plan
for the Phoenix Active Management Area.

GRANTED this ____ day of January, 2001

ARIZONA POWER PLANT AND TRANSMISSION
LINE SITING COMMITTEE

By Paul A. Bullis
Its Chairman

CONDITION 1

With respect to landscaping and screening measures, including the improvements listed in the IGA, Applicant agrees to develop and implement a public process consistent with the process chart presented during the hearings.

Derivation: Committee Members Mark McWhirter, Richard Tobin, Wayne Smith and other committee members suggested that SRP be clearer on the process to refine the landscape and mitigation plans and of implementation of the requirements of the Intergovernmental Agreements. Also a number of intervenors, including Saretta Parrault, Marshall Green and Kathy Lopez expressed interest in further involvement in the planning and implementation process. This condition responds to these concerns.

CONDITION 2

The visual mitigation plans and concepts presented to the Power Plant and Line Siting Committee constitutes a commitment level by Applicant. The Power Plant and Line Siting Committee and the Arizona Corporation Commission understand that these conceptual plans may change through the public process envisioned in condition one. However, Applicant will not reduce the overall level of mitigation as set forth in its CEC Application and this proceeding, except as may be modified or refined during the CWG process.

Derivation: Committee Members Wayne Smith, Rick Tobin and Dennis Sundie have requested that SRP commit to a level of landscaping and enhancement, understanding that specific concepts will be development during the ongoing CWG process, enforced by the obligations of the Intergovernmental Agreement. This, with the IGA, responds to the concern of a commitment expressed by intervenors.

CONDITION 3

SRP will accelerate the process of developing and installing landscaping with the goal that construction will begin in the fall of 2001.

Derivation. Several intervenors and committee members suggested that the landscaping be installed at an early date to give the trees the maximum opportunity to grow before the units are installed.

CONDITION 4

Applicant will develop a program through the CWG process to maintain onsite landscaping and areas subject to public view.

Derivation: This condition responds to the concern about upkeep raised by intervenors Saretta Parrault and Kathy Lopez.

CONDITION 5

Applicant will develop with the Town of Gilbert a fund, to be administered by the Town of Gilbert, to provide for the construction and maintenance of off-site landscaping in the areas depicted in the EPG off-site landscaping concepts, including a contingency fund to be used at the direction of the homeowners associations.

Derivation: This condition responds to the concerns raised by Committee Member Dennis Sundie, and some intervenors, particularly Marshall Green, that SRP be clearer on the process of providing construction and maintenance funds for offsite improvements. This process would allow the homeowners associations and the Town to make the decisions on measures to improve their community.

CONDITION 6

Applicant shall operate the Project so that during normal operations the Project shall not exceed the most restrictive of applicable (i) HUD residential noise guidelines, (ii) EPA residential noise guidelines, or (iii) applicable City of Tempe standards. Additionally, construction and operation of the facility shall comply with OSHA worker safety noise standards.

Derivation: This condition responds to the concern raised by intervenor Bruce Jones and others, particularly Committee Member Steve Olea. As demonstrated in the testimony, the Town of Gilbert does not have an applicable noise ordinance. This condition picks up the language from the Duke Energy order. It also adds the reference to Tempe standards, to provide a surrogate city standard.

CONDITION 7

Applicant agrees not to use its property easement adjacent to Finley Farms North and South for equestrian trails without first working with the Homeowners Associations of Finley Farms North and South and the Town of Gilbert.

Derivation: Intervenor Marshall Green expressed concern that Finley Farms North and South was not consulted on the Town of Gilbert's plans to extend its trail system north of Santan. This point was also raised by intervenor Cathy Lopez. This condition responds to this concern.

CONDITION 8

Applicant will work with the Gilbert Unified School District to assist it in converting all or part of its school bus fleet to green diesel or other alternative fuel, as may be feasible, and will contribute \$330,000 to this effort. Applicant will support legislation to include green diesel as an alternative fuel for school funding purposes.

Derivation: This concept was originally proposed by SRP. Committee member Mark McWhirter raised the concept of alternative fuels such as CNG and propane. The school district's use of alternative fuel vehicles has a direct monetary benefit to the district in the form of an increased mileage multiplier. Shari Libicki testified that this step would provide a reduction of a ground level source which will very directly effect the air breathed by school children. This condition also responds to the concern that steps be taken to provide local air improvement, which was raised at least by intervenors, Cathy Lopez, Mark Sequiera, Mark Kwiat and Dale Borger.

CONDITION 9

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

Derivation: This is the response to the request by Committee Member Wayne Smith, as supported by other committee members, that SRP and Gilbert address the real problem. The real problem is the increase in air emissions caused by current and future vehicular traffic. This effort would be a major first step for the Valley to work in a cooperative manner to develop a significant solution. This step would be a major plus for the residents of the East Valley as a whole.

CONDITION 10

Within six months of approval of this Order by the Arizona Corporation Commission, Applicant shall 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 which may veer from Warner Road to the gas metering site.

Derivation: This is a promise made by SRP to intervenor Saretta Parrault before this proceeding, and during the proceeding. This condition accelerates the process and assures that the wall will be of the size and strength as requested by Mrs. Parrault.

CONDITION 11

Applicant will use only renewable water for cooling and power plant purposes. The water use for the plant will be consistent with the water plan submitted in this proceeding. Applicant will work with the Town of Gilbert to attempt to use available effluent water, where reasonably feasible.

Derivation: This condition is responsive to the concerns of Committee Member Dennis Sundie. It also responds to the concerns of intervenor Mark Kwiat and Bruce Jones. This condition will avoid the use of groundwater and will encourage the use of effluent.

CONDITION 12

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

Derivation: This condition responds to the concerns expressed by Saretta Parrault and Cathy Lopez relative to water treatment and emission control chemicals.

CONDITION 13

Applicant agrees to maintain on file with the Town of Gilbert, and to periodically update, safety and emergency plans relative to emergency conditions that may arise at the plant site. Copies of these plans will be made available to the public.

Derivation: This condition responds to the concern of Saretta Parrault that there be safety and emergency plans in place.

CONDITION 14

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

Derivation: Dr. Libicki's data showed that even before applying offsets, the change in local air quality brought about by the plant expansion was so small as to be characterized "indiscernible". Nonetheless, intervenors, including Elisa Warner, Cathy Lopez, Mark Sequiera, Mark Kwait and Jennifer Duffany have expressed the concern that offsets would be obtained far from the adjacent neighborhoods. While this may not be entirely possible, this condition obligates SRP to use "best efforts" to do so.

CONDITION 15

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

Derivation: SRP has testified as to its legal obligations and mission to give first call to all power from this plant to local uses. SRP has also demonstrated the system need for this facility. Nonetheless several intervenors, Dale Borger, Kathy Lopez, Mark Kwiat, Jennifer Duffany, Saretta Parrault and Mark Sequiera have expressed concerns regarding the need for the plant. This condition will provide an assurance to address these concerns.

CONDITION 16

Applicant agrees that it will use its best efforts to avoid during nighttime hours construction activities that generate significant noise.

Derivation. This condition responds to the concerns raised by Mark Kwiat, Jennifer Duffany and others.

CONDITION 17

Beginning upon operation of the new units, Applicant will establish a citizens committee to monitor air and noise compliance and water quality reporting.

Applicant will establish on-site air and noise monitoring facilities to facilitate the process.

Derivation. This condition responds to the concerns of various intervenors as to whether the practical operation of the plant will meet the standards generated by the modeling process.

CONDITION 18

Applicant will explore the use of available technologies to reduce the size of the steam plumes from the unit cooling towers.

Derivation. This condition arises from the suggestion of Committee Chairman Paul Bullis relative to possible technologies to reduce the steam plumes.

CONDITION 19

SRP will consider where practicable, the use of railroad easements for the installation of the new El Paso gas line.

Derivation. The suggestion was made by committee member Wayne Smith that the railroad corridor might be a good location for the gas line. The railroad easements are not entirely in the needed location, but SRP will agree to explore the partial use of these easements.

CONDITION 20

Other than the Santan/RS 18 lines currently under construction, Applicant shall not construct additional Extra High Voltage transmission lines (115kV and above) into the Santan site, without making a showing before the Corporation Commission that circumstances have materially changed relative to expected demands in the Santan area.

Derivation: *This condition responds to the neighborhood transmission concerns.*

CONDITION 21

Applicant will pay to replace all Town of Gilbert existing street sweepers with certified PM10 efficient equipment.

Derivation: This is a measure to reduce PM10 levels in the local area.