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AZ CORP COMMISSION
DOCUMENT CONTROL

April 30, 2002

Chairman William A. Mundell
Commissioner Jim Irvin
Commissioner Marc Spitzer
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

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

Dear Commissioners:

Enclosed please find SRP's second 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 additional questions or concerns.

Sincerely,

Kelly J. Barr

Enc.

cc: Lyn Farmer, Chief Administrative Law Judge
Ernest Johnson, Utilities Director
Patrick Williams, Compliance and Enforcement Manager
Chris Kempley, Legal Director
Brian McNeil, Executive Secretary
Docket Control

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

Arizona Corporation Commission
DOCKETED

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DOCKETED BY	
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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 and various days following, in conformance with the requirements of Arizona Revised
16 Statutes section 40-360 *et seq.*, for the purpose of receiving evidence and deliberating
17 on the Application of Salt River Project Agricultural Improvement and Power District
18 ("Applicant") for a Certificate of Environmental Compatibility in the above-captioned
19 case (the "Application").

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

22 Paul A. Bullis Chairman, Designee for Arizona Attorney General Janet
23 Napolitano

24 Steve Olea Designee of Chairman of the Arizona Corporation
25 Commission

1	Richard Tobin	Designee for the Arizona Department of Environmental Quality
2		
3	Dennis Sundie	Designee for the Director of the Department of Water Resources
4		
5	Mark McWhirter	Designee for the Director of the Energy Office of the Arizona Department of Commerce
6		
7	George Campbell	Appointed Member
8	Jeff Mcguire	Appointed Member
9	A. Wayne Smith	Appointed Member
10	Sandie Smith	Appointed Member
11	Mike Whalen	Appointed Member

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

18 The Arizona Corporation Commission has considered the grant by the Power
19 Plant and Line Siting Committee of a Certificate of Environmental Compatibility to SRP
20 and finds that the provisions of A.R.S. §40-360.06 have complied with, and, in addition,
21 that documentary evidence was presented regarding the need for the Santan Expansion
22 Project. Credible testimony was presented concerning the local generation deficiency in
23 Arizona and the need to locate additional generation within the East Valley in order to
24 minimize transmission constraints and ensure reliability of the transmission grid. The
25 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 ~ No update or change from January 2002 quarterly report
8 status.**

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

15 **Status ~ No update or change from January 2002 quarterly report
16 status.**

- 17 3. Applicant's project has two (2) approved transmission lines emanating
18 from its power plant" transmission switchyard and interconnecting with the
19 existing transmission system. This plant interconnection must satisfy the
20 single contingency criteria (N-1) without reliance on remedial action such
21 as a generator unit tripping or load shedding.

22 **Status ~ There are currently four 230 kV circuits connecting the Santan
23 230kV switchyard to other substations and receiving stations in the
24 SRP transmission system and six 69kV circuits connecting the 69kV
25 switchyard to SRP's distribution substations to serve customer loads.
There are also three 230/69 kV transformers in the Santan switchyard.
Hence connection of the SEP generators to the existing 230 kV and 69
kV switchyards at Santan will provide for required redundant
connections to the grid.**

4. Applicant shall use reasonable efforts to remain a member of WSCC, or
its successor, and shall file a copy of its WSCC Reliability Criteria
Agreement or Reliability Management System (RMS) Generator
Agreement with the Commission.

**Status ~ SRP is currently a member of the WSCC and plans to continue
its membership with the WSCC and its successor, WECC.**

5. Applicant shall use reasonable efforts to remain a member of the
Southwest Reserve Sharing Group, or its successor.

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Status ~ No update or change from January 2002 quarterly report status.

6. Applicant shall meet all applicable requirements for groundwater set forth in the Third Management Plan for the Phoenix Active Management Area.

Status ~ SRP is continuing its negotiations with the Town of Gilbert to provide renewable water supplies (Salt/Verde surface water, effluent and/or Central Arizona Project water) for use at the Santan Expansion Project. SRP will be using these renewable water supplies both directly and through the recovery of storage credits developed by first storing renewable water supplies in the underground aquifer, as required by the Third Management Plan for the Phoenix Active Management Area. The industrial water from the Santan Expansion Project will be reused locally for agricultural and residential irrigation.

7. 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 (Exhibit 89) 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 concept plans submitted during these hearings (Exhibit 88). The CWG shall work to achieve appropriate visual mitigation of plant facilities and to facilitate the design and installation of the concept plan components so as to maximize the positive impact on the community and to increase, wherever possible, the values of the homes in the neighboring areas. The refinement of the mitigation plans shall be reasonably consistent with the planning criteria of the Town of Gilbert, the desires of neighboring homeowner associations, and the reasonable needs of Applicant.

Applicant shall retain an independent facilitator, acceptable to the CWG, to conduct the CWG meetings. It shall be the role of the facilitator to assist in initial education and in conducting an orderly and productive process. The facilitator may, if necessary, employ dispute resolution mechanisms.

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The CWG shall also assist in establishing reasonable maintenance schedules for landscaping of Applicant's plant site in public-view areas.

Applicant will develop with the Town of Gilbert a continuous 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 off-site landscaping concepts as developed by the CWG in an amount sufficient to fund the concepts in Exhibit 88 or concepts developed by the CWG, whichever is greater.

Status ~ The process to complete the landscaping and screening designs around the Santan Generating Station is continuing.

The Landscaping & Mitigation CWG has had twenty-four 4-hour meetings. The initial meeting was held on June 2, 2001, the group has met on the following dates since then:

<i>June 13th, 2001</i>	<i>November 1st</i>	<i>February 11th</i>
<i>July 7th</i>	<i>November 6th</i>	<i>February 23rd</i>
<i>July 17th</i>	<i>November 26th</i>	<i>March 4th</i>
<i>July 28th</i>	<i>December 1st</i>	<i>March 30th</i>
<i>August 14th</i>	<i>December 15th</i>	<i>April 4th</i>
<i>September 8th</i>	<i>January 5th, 2002</i>	<i>April 22nd</i>
<i>September 22nd</i>	<i>January 23rd</i>	<i>April 29th</i>
<i>October 23rd</i>	<i>February 2nd</i>	

The CWG has agreed on a conceptual plan for the on-site landscaping based upon work performed by TenEyck Landscape Architects. SRP has agreed to fund this plan at a cost of approximately \$6.7 million with the following stipulations:

- ***Funding of the off-site landscaping will be set at \$1.5 million***
- ***Although the CWG is still working through the off-site process, if the homeowners' associations (HOAs) end up doing the planning for their specific community then the following tenets must be built into the process:***
 - ***CWG agrees to develop a formula or process for allocating the off-site landscaping funds to the HOAs they designate***
 - ***Town of Gilbert acts as an intermediary for transmittal of funds to the HOAs***
 - ***HOAs commit in writing that the funds will be used for the purposes specified in the CEC conditions list***
 - ***HOAs work with the CWG on the offsite plans***
- ***SRP will remove the 3rd oil tank but will replace with 2 smaller tanks***

- **Two structural issues must be resolved for the landscape berm**
1) the stability of the extra high berm in the specialty area along Warner Road across from Key Biscayne Drive is an issue and 2) the berm in the SW corner of the site may have to be lower to accommodate the 2 smaller oil tanks.
- **SRP will put forth its best effort to obtain larger tree sizes, but where not available SRP will purchase the best plants that can be obtained**
- **SRP will proceed with a process to buy trees ahead of time.**
- **The plan must be approved by the Town of Gilbert staff**

The CWG continues to work through the process for off-site mitigation but has not yet agreed on a conceptual plan. Some of the plan components being discussed to date are:

- **Delegation of the detailed off-site landscape mitigation planning to the HOAs.**
- **Acceptance of an SRP offer to meet with each HOA board to inform them of the background and what is needed from them.**
- **Development of guidelines and a cover letter explaining the process to HOAs.**
- **Review of HOA plan by the CWG**
- **Requirement of broad notice to homeowners as part of the guidelines**
- **Permission to use the money for landscape maintenance if an HOA does not use its allocation.**

At the writing of this report the CWG continues to debate the following issues:

- **What HOAs should be included in off-site mitigation**
- **How to allocate funds to each community**
- **Magnitude of SRP off-site budget fund included in stipulation list**

An Open House is planned for April 30, 2002 to view and comment on the on-site plans developed by the Santan CWG. Please see Appendix A for the latest "Energy News" announcing the Open House. The "Energy News" was mailed to approximately 25,000 residents living within a 2.5-mile radius of the Santan Generating Station.

SRP continues to reiterate the need to move along the on-site plan so plantings can begin as soon as possible.

8. **The visual mitigation efforts shall be in general compliance with the plans and concepts presented in these proceedings and constitute a commitment level by Applicant. Applicant will not reduce the overall level of mitigation as set forth in its Application and this proceeding, except as may be reasonably changed during the CWG process. The Town of Gilbert shall approve the plans agreed to by the CWG.**

Status ~ SRP has agreed to fund the on-site design developed by the CWG at a cost of \$6.7 million. This \$6.7 million does not include the following:

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- **Construction management costs for the landscaping work**
- **Off-site mitigation**
- **Warner Road improvements**
- **Warner Road median enhancements**
- **Other IGA requirements (canal re-alignment, training tower removal, undergrounding of electrical line along Warner Road)**
- **Cell tower relocation**
- **Relocation of 69kv line along east side to accommodate landscaping**
- **Construction of a pit to depress the HRSGs**
- **Relocation of solar panels and retention pond to accommodate berm**

9. Applicant shall, where reasonable to do so, plant on site trees by the fall of 2001. Because planting of trees must await the improvement of Warner Road and the design and construction of berms, this condition will largely apply to trees on the East side of the site, and some of the trees on the North side. All landscaping will be installed prior to the installation of major plant equipment such as, but not limited to, exhaust stacks, combustion turbines, and heat recovery steam generators, except where delays are reasonably necessary to facilitate construction activities.

Status ~ The design plan has not been finalized; therefore planting has not started. The CWG originally planned to complete the on-site design by October 2001. SRP continues to remind the CWG that power plant construction is rapidly approaching and encourages completion of the design plans so trees can be planted as soon as possible.

10. 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. 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 ~ Sargent and Lundy ("S&L" - plant architect/engineer) is currently analyzing noise response information from General Electric (gas turbine and steam turbine manufacturer). This will also be done for the HRSGs once they are purchased. S&L has also retained an acoustical consultant to assist in this work. S&L is incorporating the noise objectives in the specification and design of all pertinent equipment and facilities associated with the SEP.

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

Status ~ No update or change from January 2002 quarterly report status.

12. Applicant shall actively work with all interested Valley cities, including at a minimum, Tempe, 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 a maximum of \$400,000 to this effort.

Status ~ SRP is continuing discussions with County and Town representatives.

13. Within six months of approval of this Order by the Arizona Corporation 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 ~ By mid October, 2001 SRP had erected a earthen and concrete temporary barrier in front of the gas metering station along Warner Road. SRP is in the final stages of construction on the new gas metering station at a site near the southern boundary of the property. Conversion of service to this new metering station should occur around the first of May 2002. Please see Appendix B for a letter mailed to residents living within a .5-mile radius of the Santan Generating Station explaining the conversion process.

The gas metering station along Warner Road will be removed soon after the May 2002 conversion.

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

Status ~ As stated in Condition 6, SRP is continuing its negotiations with the Town of Gilbert. On April 8, 2002 SRP and the Central Arizona Water Conservation District signed an agreement providing for the

1 **delivery of excess Central Arizona Project water. SRP intends to store**
2 **this CAP water in the Granite Reef Underground Storage Project for**
3 **future use at the Santan Generating Station. SRP plans to store 7,000**
4 **acre feet by December 2002**

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

Status ~ No update or change from January 2002 quarterly report status.

16. Applicant agrees to maintain on file with the Town of Gilbert safety and emergency plans relative to emergency conditions that may arise at the 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 ~ No update or change from January 2002 quarterly report status.

17. 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.

Status ~ No update or change from January 2002 quarterly report status.

18. 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 within Arizona.

Status ~ No update or change from January 2002 quarterly report status.

19. Beginning upon operation of the new units, Applicant will establish a citizens' committee, elected by the CWG, to monitor air and noise compliance and water quality reporting. Applicant will establish on-site air and noise monitoring facilities to facilitate the process. Additionally Applicant shall work with Maricopa County and the Arizona Department of Environmental

1 Quality to enhance monitoring in the vicinity of the plant site in a manner
2 acceptable to Maricopa County and the Arizona Department of
3 Environmental Quality. Results of air monitoring will be made reasonably
4 available to the public and to the citizens' committee. Applicant shall provide
5 on and off-site noise monitoring services (at least on a quarterly basis),
6 testing those locations suggested by the citizens' committee. The off-site air
7 monitoring plan shall be funded by the Applicant and be implemented before
8 operation of the plant expansion.

9 **Status ~ No update or change from January 2002 quarterly report
10 status.**

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

15 **Status ~ Sargent and Lundy, "S&L" - plant architect/engineer, will
16 advise SRP on the availability and practicality of reducing the size of
17 the cooling tower plumes. S&L is not yet at the point of cooling tower
18 specification in the overall plant design schedule.**

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

21 **Status ~ In order to design, permit and build the new pipeline required
22 to serve the SEP on a timely basis it is likely that SRP will have
23 responsibility for design and construction of the pipeline. SRP has
24 hired an architect/engineer to coordinate this activity. Route selection
25 is continuing and once a pipeline route is chosen work will commence
on right of way acquisition. SRP will be working with the Union Pacific
railroad on right of way issues during this process.**

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

29 **Status ~ SRP has no plans to construct additional Extra High Voltage
30 transmission lines (no new circuits 115kv and above) into or out of the
31 Santan site or substation on the site. However, some of the existing
32 circuits will be bundled in the future as planned.**

- 33 23. Applicant will replace all Town of Gilbert existing street sweepers with
34 certified PM10 efficient equipment. A PM10 efficient street sweeper is a
35 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).

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Status ~ PM10 street sweepers have been ordered and are due to arrive in the 2nd quarter of 2002.

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

Status ~ No update or change from January 2002 quarterly report status.

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

Status ~ No update or change from January 2002 quarterly report status.

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

Status ~ No update or change from January 2002 quarterly report status.

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

Status ~ No update or change from January 2002 quarterly report status.

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

Status ~ There are eight SRP obligations noted on the IGA. The status of each obligation is as follows:

- **Improvements to Warner Road and Val Vista Road ~ The Town of Gilbert has not finalized a bid to complete these improvements. The Santan CWG has provided recommendations on the median design. SRP expects the improvements to begin Summer of 2002.**

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- **Screening of the Plant ~ The on-site design plan has not been finalized; therefore planting has not started. See condition 7 status for more details.**
- **Trail Extension ~ The trail extension on the east side of Santan will be developed and is incorporated in the on-site design plan.**
- **Rerouting of Canal at Ray Road ~ SRP has procured the one acre of land required to make this canal modification. The design work will be completed prior to summer 2002. The actual construction will be completed by the fall of 2002. Cutover to the new section of canal will coincide with the annual dry up.**
- **Training Tower Removal ~ This training tower was removed in the fall of 2000.**
- **Revegetation Along New RS 18 Line ~ SRP has restored any vegetation damaged or destroyed along the RS 18 line as a result of the construction of the line.**
- **Dust Control Along Canals ~ SRP is in compliance with applicable PM-10 standards along SRP canal banks.**
- **Offsite Tree Planting ~ The off-site design plan has not been developed; therefore planting has not begun.**

29. During the proceeding neighbors to the plant site raise significant concern about the impact of the plant expansion on residential property values. In performing each of the conditions in this order Applicant, in conjunction 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 values of the homes in the surrounding neighborhoods.

Status ~ No update or change from January 2002 quarterly report status.

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

Status ~ No update or change from January 2002 quarterly report status.

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

Status ~ SRP and Sargent & Lundy are working on the HRSG specification. The specification will reflect the height restriction included in this condition

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

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Status ~ No update or change from January 2002 quarterly report status.

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

Status ~ No update or change from January 2002 quarterly report status.

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

Status ~ No update or change from January 2002 quarterly report status.

GRANTED this ___ day of February, 2001

ARIZONA POWER PLANT AND TRANSMISSION
LINE SITING COMMITTEE

By Paul A. Bullis
Its Chairman

BEFORE THE ARIZONA CORPORATION COMMISSION

In the matter of the Application of Salt)	
River Project Agricultural Improvement and)	
Power District in conformance with the)	
requirements of Arizona Revised Statutes)	
Sections 40-360-03 and 40-360.06, for a)	Case No. 105
Certificate of Environmental Compatibility)	
authorizing the Expansion of its Santan)	Docket No. L-00000B-00-0105
Generating Station, located at the intersection)	
of Warner Road and Val Vista Drive,)	Decision No. _____
in Gilbert, Arizona, by adding 825 megawatts)	
of new capacity in the form of three combined)	
cycle natural gas units, and associated)	
intraplant transmission lines.)	

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The Arizona Corporation Commission (Commission) has conducted its review, as prescribed by A.R.S. §40-360.07. Pursuant to A.R.S. §40-360.07(B), the Commission, in compliance with A.R.S. §40-360.06, and in balancing the broad public interest, the need for an adequate, economical and reliable supply of electric power with the desire to minimize the effect thereof on the environment and ecology of the state;

The Commission finds and concludes that the Certificate of Environmental Compatibility should be granted upon the additional and modified conditions stated herein.

35. The Santan Expansion Project shall be required to meet the Lowest Achievable Emission rate (LAER) for Carbon Monoxide (CO), Nitrogen Oxides (Nox), Volatile Organic Carbons (VOCs), and particulate Matter less than ten micron in aerodynamic diameter (PM10). The Santan Expansion Project shall be required to submit an air quality permit application requesting this LAER to the Maricopa County Environmental Services Department.

Status ~ No update or change from January 2002 quarterly report status.

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 ~ On January 31, 2002, SRP issued a letter to Mr. Lieb of the Maricopa County Environmental Service Department, indicating that SRP will not pursue an emergency fuel oil burning provision in the Santan air quality permit. A supplement to the Significant Permit Revision Application will be filed by SRP in early May, 2002 removing the emergency fuel oil burning request.

A recent position advocated by the FERC Advisory Staff could impact the availability of natural gas for Arizona utilities if adopted by the FERC commissioners. On March 13, 2002 the FERC Advisory Staff presented a proposal in the El Paso Natural Gas Company ("El Paso"), Docket No. RP00-336-000, et. al. that, as currently written, would reallocate pipeline capacity among El Paso shippers in California, Nevada, Arizona, New Mexico and Texas. The impact of this reallocation will be to significantly reduce access to pipeline capacity in Arizona.

1 **The FERC Staff proposal recommends that the El Paso full**
2 **requirements shippers (i.e. SRP) convert to contract demand status**
3 **with an allocation set at the greater of the billing determinants from the**
4 **1996 settlement or the shipper's usage on December 12, 2001. The**
5 **proposal severely limits the natural gas transportation allocated to**
6 **Arizona customers as it ignores the fact that Arizona electric utilities**
7 **are summer peakers and the fact that Arizona shippers are captive to El**
8 **Paso and have no alternative source of natural gas transportation. As a**
9 **result, it could deprive Arizona of essential supplies of natural gas**
10 **needed to generate electricity. Because the Phoenix valley is a "load**
11 **pocket", there are physical limitations on the ability to import electricity**
12 **to meet peak day demands in the area. Therefore, increasing imported**
13 **electricity to make up the shortfall of natural gas is not an option.**
14 **Without sufficient natural gas supplies, blackouts or electrical**
15 **shortages could occur without the ability to burn alternative fuels, such**
16 **as fuel oil.**

17 **SRP is taking every effort available to explain its position to FERC and**
18 **the critical nature of the proposal in hopes of convincing the FERC**
19 **commissioners not to adopt the FERC Staff recommendation.**

- 20 37. In obtaining emissions reductions related to Carbon Monoxide (CO)
21 emissions, Applicant shall where technologically feasible obtain those
22 emission reductions onsite to the Santan Expansion Project.

23 **Status ~ CO Catalysts will be installed on the existing generating units**
24 **during the winter overhaul seasons in 2002-2003 and 2003-2004.**

- 25 38. Beginning upon commercial operation of the new units, Applicant shall
26 conduct a review of the Santan Generating facility operations and
27 equipment every five years and shall, within 120 days of completing such
28 review, file with the Commission and all parties in this docket, a report
29 listing all improvements which would reduce plant emissions and the costs
30 associated with each potential improvement. Commission Staff shall
31 review the report and issue its findings on the report, which will include an
32 economic feasibility study, to the Commission within 60 days of receipt.
33 Applicant shall install said improvements within 24 months of filing the
34 review with the Commission, absent an order from the Commission
35 directing otherwise.

36 **Status ~ No update or change from January 2002 quarterly report**
37 **status.**

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

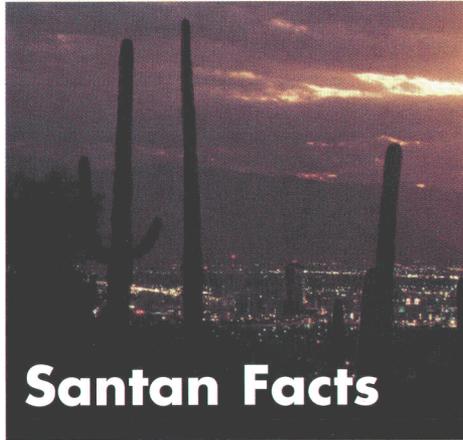
41 **Status ~ On March 27, 2002, SRP submitted its first check in the amount**
42 **of \$40,000, made payable to the Arizona Corporation Commission, for**

Energy News



April 2002 No. 11

Useful information for the Gilbert community



Santan Facts

- ◆ SRP's expansion of the Santan Generation Station will bring 825 megawatts of new electricity to the Southeast Valley, where energy demand is increasing with the phenomenal growth. The existing power facility is located near the southeast corner of Val Vista and Warner roads in Gilbert.
- ◆ By locating new generation resources close to the areas of demand, SRP can continue to provide the low-cost, reliable electricity its customers expect and deserve.
- ◆ The Santan Expansion Project includes state-of-the-art combined-cycle, natural gas generators, with three stacks, up to 150 feet tall, located on 20 acres of the existing 120-acre site. An additional 20 acres will be devoted to providing a recreational trail and berms on the perimeter of the site for landscaping purposes.
- ◆ When completed, it will be available to operate 24 hours a day, seven days a week. Construction will create up to 650 jobs and is expected to be completed by 2005.
- ◆ All of the power from the expansion will be available to serve the growing demand in the thriving Southeast Valley.

◆
Editor's note: This is the eleventh issue of *Energy News*. Visit www.santanfacts.org or call us at (602) 236-2679 for previous *Energy News* issues or for more information about the project.

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Santan Expansion Project: A Progress Report

SRP's Santan Expansion Project was approved by the Arizona Corporation Commission (ACC) in April 2001. In issuing the necessary Certificate of Environmental Compatibility (CEC), the ACC set forth a number of conditions to be met in the development of the project.

This edition of *Energy News* is to provide Gilbert residents and other interested parties with a progress report on SRP's efforts in meeting some of the conditions in the CEC. SRP is committed to abiding by all of the conditions

set forth by the ACC and will continue working toward that end.

"We believe the Santan Expansion Project remains the best alternative to meet the power needs of a rapidly growing customer population in the Southeast Valley," said SRP's Mark Bonsall, associate general manager, Commercial and Customer Services. "The decision made by the ACC commissioners was the right one for Arizona. We appreciate their efforts to balance the interests of the local community with SRP's obligation to provide reliable, low-cost electricity to our customers."

CEC Conditions Update

In the final Certificate of Environmental Compatibility (CEC) for the Santan Expansion Project (SEP) there are 41 conditions. The following is a progress report of SRP's efforts to date in meeting some of those conditions:

Condition #7: Community Working Group

A group of Gilbert residents, which began meeting in June 2001, is reviewing site plans for the SEP and developing recommendations that make a positive impact on the Gilbert community and nearby homes. Known as the Landscaping and Mitigation Community Working Group, this group of residents has met nearly 20 times in open, public meetings. These meetings

are advertised in the *Gilbert Independent*, *The Arizona Republic* and *East Valley Tribune Newspapers*, as well as announced on Gilbert's municipal television station, Cox Cable Channel 7.

The group's accomplishments to date include the selection of an independent facilitator to conduct the meetings, and reaching consensus on 36 items regarding the design of on-site landscaping/mitigation activities.

continued on page 2

Conditions Update

continued from page 1

Items that have been agreed upon include identification of:

- ◆ Trees, groundcover, shrubs and decomposed granite for use in the Warner Road median
- ◆ Fencing, trees, groundcover, shrubs and decomposed granite for the berm along Warner Road and the western boundary of the plant site
- ◆ Type and look of terrace walls to be located along the Warner Road berm and the western boundary of the plant site.

When the CWG completes the on-site design plans, they will be forwarded to the Town of Gilbert for approval, after which SRP's landscape architect, Ten Eyck, will prepare the necessary construction documents. (See page 4 for April 30 preliminary landscape plan open house article.)

Approved meeting minutes from the CWG's meetings can be viewed at the SEP Web site, www.santanfacts.org.

Condition #13: Gas Meter Barrier

The CEC mandates that the gas metering facilities along Warner Road either be moved into the interior of the facility, or a solid wall be constructed between the facilities and the street. The wall was to be of such strength and size as to deflect vehicular traffic, including a fully loaded concrete truck that might veer from Warner Road into the facilities.

By October 2001, SRP had a temporary wall in place that meets all of the safety criteria. In addition, we are in the process of relocating the gas metering facilities to the interior of the plant site, which will be completed by the end of May.

Condition #17: Emission Offsets

In order to build a new generating facility in the metropolitan area, SRP is required by the U.S. Environmental Protection Agency (EPA) and Maricopa County to obtain offsets to the emissions created by the new plant. In this condition, the ACC directs SRP to "use its best efforts to obtain these offsets as close as practicable to the plant site."

To that end, SRP examined the feasibility of reducing emissions of the existing Santan Generating Station facilities. This study concluded that SRP could implement new controls and achieve reduced emissions of carbon monoxide (CO) and nitrogen oxides (NOx).

SRP received a Significant Air Quality Permit Revision from the Maricopa County Environmental Services Department (MCESD) that specifies the types of controls to be installed and the amount of onsite emission reductions. Installation of that equipment has been initiated (See Condition #32).

In addition, SRP retained a consultant to help identify potential sources of offsets in Gilbert and the East Valley for the emissions of fine particulate matter (PM10) and volatile organic compounds (VOCs). It was determined that the necessary PM 10 offsets could be achieved by paving roads in the East Valley to reduce dust. SRP has signed an agreement with the Maricopa County Department of Transportation to pave up to 18 miles of roadway in the East Valley, starting with streets closest to the Santan site.

The consultant determined that there were no significant industrial sources of VOCs in Gilbert or the East Valley, and that converting fleet vehicles to alternative fuels was not practicable. An industrial source in Phoenix was identified and the company agreed to shut down one of its older facilities. The MCESD and the EPA certified the amount of VOC emission reduction credits from the shutdown and they were transferred to SRP for use as offsets.

Condition #28: Intergovernmental Agreement

As a result of negotiations, SRP signed an Intergovernmental Agreement (IGA) with the Town of Gilbert to formalize a number of agreements between the two entities.

The status of four of SRP's obligations to the Town are:

- ◆ Rerouting of Canal at Ray Road – SRP has acquired one acre of land necessary to make the canal modification. The engineering studies will be completed this summer, with the construction occurring in the fall. This will allow SRP to complete the work during its annual dry-up of the canal.
- ◆ Removal of Training Tower – On the Santan property, SRP maintained an electrical transmission tower. Per the Town's request, SRP has removed that tower.
- ◆ Revegetation Along Existing Power Line (aka RS 18) – SRP has restored any vegetation damaged or destroyed during construction along the power line that runs north from the Santan site through the Finley Farms neighborhood.

- ◆ Dust Control Along Canals – SRP is in compliance with all applicable standards concerning dust arising from the canal banks.

Condition #32: Dry Low NOx Equipment

The CEC stipulates that SRP must install dry low NOx equipment on the existing generating units prior to construction of the new units.

Dry low NOx (nitrogen oxides) equipment allows for older units to operate more efficiently. The maximum use of the natural gas fuel results in less NOx being produced during combustion. The equipment achieves the greater efficiency through constant monitoring and adjusting of the air/fuel mixture.

SRP installed \$30 million of dry low NOx technology on the existing four units at the Santan

Generating Station, which achieved an 80 percent reduction of nitrogen oxides emissions. The installation was completed in June 2001.

Condition #40: In-state Subcontractors

This condition states that SRP “shall strive to incorporate local and in-state contractors in the construction of the three new generation units for the expansion project.”

Although construction of the expansion has not officially begun, much work was necessary to begin complying with the conditions set forth in the CEC. SRP has made every effort to incorporate local contractors for this work, and will continue to do so as the project progresses. Here is a list of local contractors which have completed or are working on projects related to the SEP:

- ◆ Hunter Contracting Co. of Gilbert
- ◆ AAA Landscaping of Phoenix
- ◆ American Fence Inc. of Phoenix
- ◆ HDR Engineering Inc. of Phoenix
- ◆ Rupp Aerial Mapping Inc. of Phoenix
- ◆ Ten Eyck Landscape Architects of Phoenix.

In all, 41 conditions were stipulated in the CEC for SRP’s expansion of the Santan site. These conditions, all of which SRP will abide by, are expected to make the Santan facility among the cleanest natural gas generating stations in the United States. The environmental requirements go beyond what is required by the EPA. And there are provisions to keep it that way through the 30-year expected life of the plant.

Gilbert Home Values Increase 13.3%

In February, Maricopa County Assessor Kevin Ross released new property values for homes throughout the county. As reported in the *East Valley Tribune*, home valuations in Gilbert have increased by 13.3 percent from July 1999 to June 2001.

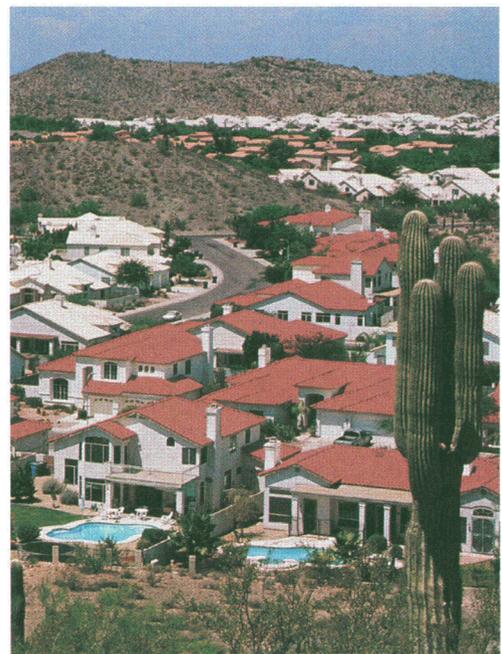
“The assessor’s office bases property valuations on the sales of homes in an area and their potential to sell,” according to the *East Valley Tribune*. “While the assessor’s valuations do not directly correspond to a home’s value, the figures provide a guideline to which areas of the real estate market are hot and which are not.”

A listing of the property valuations by city and ZIP Code is

available on the Maricopa County Assessor’s Web site, www.maricopa.gov/assessor.

“SRP has maintained that the Santan Expansion Project will have little, to no impact on property values in the Gilbert community,” said Mark Bonsall, associate general manager, Commercial and Customer Services.

“We believe that our extensive landscape and mitigation measures, as developed in conjunction with the Community Working Group, will ensure that the Santan Expansion Project corresponds with the surrounding neighborhoods,” Bonsall said.





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Preliminary Landscaping Plans Debut At April Open House

Gilbert residents have the opportunity to view the preliminary plans developed by the Santan Expansion Project Landscaping and Mitigation Community Working Group (CWG) during an **April 30 open house**.

Although the plans are not completed, the open house serves as a status report from the CWG to the community. The plans will be available for review from **5 to 8 p.m.** in the **Multi-Purpose Room of Greenfield Elementary School, 2550 E. Elliot Road in Gilbert** (north of Elliot and east of Greenfield roads).

In addition to the CWG's landscaping plans, SRP will have informational displays about the Santan Expansion Project (SEP), and the efforts being made to ensure it is compatible with the community.

Residents with specific questions about the open house or seeking general information about the SEP should contact SRP's **Janeen Rohovit** at **(602) 236-2679**, or e-mail **jcrohovi@srpnet.com**.

Open House

Date
Tuesday, April 30, 2002

Time
5 p.m. to 8 p.m.

Location
Greenfield Elementary School
Multi-Purpose Room
2550 E. Elliot Road, Gilbert
(north of Elliot and east of
Greenfield roads)

Please contact **Janeen Rohovit**
at **jcrohovi@srpnet.com** or call **(602)
236-2679** for more information
about the upcoming Open House.



P. O. Box 52025
Phoenix, Arizona 85072-2025
(602) 236-5900

April 17, 2002

Dear Santan Generating Plant Neighbor,

In April 2001, the Arizona Corporation Commission approved the addition of an 825 megawatt combined cycle, natural gas power plant at the Santan Generating Plant located on the southeast corner of Warner and Val Vista roads. As part of the expansion, SRP will widen Warner Road along the north side of the power plant property.

As Warner is widened, the proximity between the traffic traveling that road and the gas metering station at the Santan Generating Plant will decrease. In an effort to address community concerns expressed to Salt River Project (SRP) about this new proximity, SRP has agreed to relocate the gas metering station to an area inside the plant property. Relocation requires abandoning and removing the existing station. A portion of the underground gas line currently serving the station will also be abandoned and removed. SRP is coordinating with El Paso Natural Gas (EPNG) to achieve these changes. This letter is to notify you of events you may witness throughout the removal process.

The new location for the metering station will require a new gas delivery line. To connect the new line to the current gas system, EPNG will "tap" off the existing line on Warner Road near the northwest corner of the SRP property. **In preparation for removal of the old pipe, it will be necessary for EPNG to "vent" all the gas out of the abandoned pipe. You will hear the venting; it will last for approximately three hours. You may also smell natural gas during the venting process.**

We anticipate the venting will take place next week. **Venting requires a plant outage and therefore, is likely to occur at night.** EPNG has notified the Gilbert Fire Department, Police and Southwest Gas. SRP and EPNG want to assure you that all Federal, State and Town safety standards and regulations that permit this process have been obtained.

You are welcome to phone me with any questions concerning this process or the Santan Generating Plant expansion.

Thank you,

A handwritten signature in black ink, appearing to read "Janeen Rohovit", is written over a circular stamp area.

Janeen Rohovit
SRP Public Involvement
(602) 236-2679