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SALT RIVER PROJECT

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KELLY J. BARR, ESQ.

Manager, Regulatory Affairs & Contracts

AZ CORP COMMISSION
DOCUMENT CONTROL

January 31, 2003

Chairman Marc Spitzer
Commissioner Mike Gleason
Commissioner Jeff Hatch-Miller
Commissioner Jim Irvin
Commissioner William A. Mundell
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 fifth 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
Ernest Johnson, Utilities Director
Patrick Williams, Compliance and Enforcement Manager
Chris Kempley, Legal Director
Brian McNeil, Executive Secretary
Docket Control

Arizona Corporation Commission

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JAN 31 2003

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

**BEFORE THE ARIZONA POWER PLANT
AND TRANSMISSION LINE SITING COMMITTEE**

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 Certificate of Environmental Compatibility authorizing the Expansion of its Santan Generating Station, located at the intersection of Warner Road and Val Vista Drive, 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.

Case No. 105

Docket No. L-00000B-00-0105

Decision No. _____

CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY

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

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 ~ The ADEQ received primacy for the NPDES program from the
8 EPA on December 5, 2002. The issuance of the waste water discharge
9 permit (now called AZPDES) is no longer considered a federal action
10 and the NEPA process is no longer applicable. After discussions with
11 EPA and ADEQ, SRP has terminated NEPA compliance work. SRP will
12 obtain an AZPDES permit from ADEQ prior to discharging waste water
13 from the SEP.***

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

20 ***Status ~ No update or change from October 2002 quarterly report
21 status.***

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

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

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 ~ No update or change from October 2002 quarterly report
status.***

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

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

1
2 6. Applicant shall meet all applicable requirements for groundwater set forth
3 in the Third Management Plan for the Phoenix Active Management Area.

4 ***Status ~ No update or change from October 2002 quarterly report
5 status.***

6 7. With respect to landscaping and screening measures, including the
7 improvements listed in the IGA, Applicant agrees to develop and
8 implement a public process consistent with the process chart (Exhibit 89)
9 presented during the hearings, modifying the dates in the IGA with the
10 Town of Gilbert, if necessary, to correspond with the schedule in Exhibit
11 89.

12 The new Community Working Group (CWG) will consist of 12 members,
13 selected as follows: one member selected by the Town of Gilbert, four
14 members selected by neighborhood homeowner associations, four
15 representatives selected by intervenors, and three members selected by
16 SRP (not part of the aforementioned groups) who were part of the original
17 community working group. Applicant and landscaping consultants shall
18 act as advisors to the CWG. CWG meetings shall be noticed to and be
19 open to the general public. The initial meeting shall take place on an
20 evening or weekend in the Town of Gilbert.

21 The objective of the CWG shall be to refine the landscaping and mitigation
22 concept plans submitted during these hearings (Exhibit 88). The CWG shall
23 work to achieve appropriate visual mitigation of plant facilities and to
24 facilitate the design and installation of the concept plan components so as to
25 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.

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,

1 whichever is greater.

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

4 **The CWG has agreed on a conceptual plan for the onsite landscaping**
5 **based upon work performed by TenEyck Landscape Architects. SRP**
6 **has agreed to fund this plan at a cost of approximately \$6.7 million.**
7 **TenEyck Landscape Architects is currently working on the construction**
8 **documents for this plan and will forward these documents to the Town**
9 **for their review.**

10 **The final CWG meeting was held on December 9, 2002. The CWG**
11 **reviewed and approved the landscape architect's work on the onsite**
12 **construction documents, which were at approximately 80% completion.**

13 **SRP has finalized the details for two separate offsite landscaping**
14 **programs - the HOA landscaping program and the individual**
15 **landscaping program established for County residential properties.**

16 **HOA Offsite Landscaping Program ~**

- 17 • **Nineteen (19) HOAs are within the defined radius and eligible to**
18 **participate in the program.**
- 19 • **All nineteen (19) HOAs have agreed to participate in the program.**
- 20 • **SRP will make a one time payment to the HOAs to fund**
21 **improvements to help mitigate views of the power plant.**
- 22 • **Future annual payments to the HOAs for offsite landscaping**
23 **maintenance will be 5% of that portion of the one time allocation**
24 **dedicated to vegetative landscaping. The annual payments will**
25 **continue for a period of twenty (20) years beginning in 2004.**
- **Plan submittals and implementation timelines are due to SRP by**
 May 21, 2003.

Individual County Landscaping Program ~

- **Residents of three County communities have been invited to**
 participate.
- **Vouchers and checks were mailed to the 88 residents who**
 submitted documentation to be included in the program.
- **The deadline for participation has ended.**

The December 2002 edition of SRP's Energy News newsletter (Appendix
 A) provided information on the offsite mitigation efforts to residents
 within a 2.5 mile radius of the Santan Generating Station.

The CWG has directed Salt River Project to use the landscaping
 maintenance specifications for Papago Park Center as a reference as
 they develop the landscaping maintenance plan for Santan Generating
 Station.

8. The visual mitigation efforts shall be in general compliance with the plans and

1 concepts presented in these proceedings and constitute a commitment level by
2 Applicant. Applicant will not reduce the overall level of mitigation as set forth in
3 its Application and this proceeding, except as may be reasonably changed
4 during the CWG process. The Town of Gilbert shall approve the plans agreed
5 to by the CWG.

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

- 6 9. Applicant shall, where reasonable to do so, plant on site trees by the fall of
7 2001. Because planting of trees must await the improvement of Warner
8 Road and the design and construction of berms, this condition will largely
9 apply to trees on the East side of the site, and some of the trees on the
10 North side. All landscaping will be installed prior to the installation of major
11 plant equipment such as, but not limited to, exhaust stacks, combustion
12 turbines, and heat recovery steam generators, except where delays are
13 reasonably necessary to facilitate construction activities.

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

- 14 10. Applicant shall operate the Project so that during normal operations the
15 Project shall not exceed the most restrictive of applicable (i) HUD residential
16 noise guidelines, (ii) EPA residential noise guidelines, or (iii) applicable City
17 of Tempe standards. Additionally, construction and operation of the facility
18 shall comply with OSHA worker safety noise standards. Applicant agrees
19 that it will use its best efforts to avoid during nighttime hours construction
20 activities that generate significant noise. Additionally, Applicant agrees to
21 comply with the standards set forth in the Gilbert Construction Noise
22 Ordinance, Ordinance No. 1245, during construction of the project. In no
23 case shall the operational noise level be more than 3 db above background
24 noise as of the noise study prepared for this application. The Applicant shall
25 also, to the extent reasonably practicable, refrain from venting between the
hours of 10:00 p.m. and 7:00 a.m.

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

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 ~ After much collaboration and research SRP and Gilbert Unified
School District have agreed to the following:**

- **SRP will purchase three (3) new, 84-passenger buses, which would be electronically tuned to meet current EPA standards.**

- *The buses would be retrofitted with D.O.C. catalyst*
- *The remaining balance of funds would be used for retrofitting as many existing Gilbert school buses as possible with a D.O.C catalyst.*
- *Gilbert Public Schools would agree to use regular route buses equipped with this technology in the area of the Santan Generating Station for a minimum of three (3) years*

Statistics indicate that the DOC catalyst would reduce carbon dioxide and hydrocarbons by approximately 50%. Particulate matter will be reduced by approximately 25% when used with low sulfur diesel fuel (300 ppm). In 2006 when it will be required to use ultra low sulfur fuel (15ppm) it will be reduced by approximately 60%

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 ~ A final report of the Gilbert/East Valley Transit System Plan Existing and Future Conditions is currently under review by Town of Gilbert. The transit plan with final recommendations is expected to be completed by end of 1st quarter 2003.

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 ~ SRP has completed the activity required by this condition.

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 ~ No update or change from October 2002 quarterly report status.

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 October 2002 quarterly report status.

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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.

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

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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.

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

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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.

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

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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 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.

1 ***Status ~ SRP's proposed ambient monitoring location, which is***
2 ***approximately ½ mile east of Gilbert Road and ½ mile north of Warner***
3 ***Road, was approved by Maricopa County on October 9, 2002. The new***
4 ***air monitoring station will be installed by March 2003.***

5 ***The CWG discussed and agreed that the Citizens' Committee shall be***
6 ***comprised of the following representatives:***

- 7 • ***One representative selected by the Arizona Department of Health***
- 8 • ***Services,***
- 9 • ***One representative selected by the Maricopa County Air Quality***
- 10 • ***Division,***
- 11 • ***One representative selected by the Town Manager of Gilbert to***
- 12 • ***represent the Town of Gilbert staff,***
- 13 • ***One Town of Gilbert resident who is a licensed professional***
- 14 • ***engineer, selected by Salt River Project,***
- 15 • ***One representative selected by each of the following HOA Boards:***
- 16 • ***Cottonwoods Crossing, Finley Farms South, Rancho Cimarron,***
- 17 • ***Silverstone Ranch, and Western Skies, and***
- 18 • ***One representative of the unincorporated area south of the Santan***
- 19 • ***Generating Station, to be determined by Salt River Project.***

20 ***The CWG further agreed that Salt River Project will contact the various***
21 ***groups to request that they name their representatives by***
22 ***approximately September 1, 2004.***

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

27 ***Status ~ No update or change from October 2002 quarterly report***
28 ***status.***

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

31 ***Status ~ No update or change from October 2002 quarterly report status.***

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

35 ***Status ~ No update or change from October 2002 quarterly report***
36 ***status.***

- 37 23. Applicant will replace all Town of Gilbert existing street sweepers with
38 certified PM10 efficient equipment. A PM10 efficient street sweeper is a
39 street sweeper that has been certified by the South Coast Air Quality

1 Management District (California) to comply with the District's performance
2 standards under its Rule 1186 (which is the standard referenced by the
3 Maricopa Association of Governments).

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

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

8 **Status ~ No update or change from October 2002 quarterly report
9 status.**

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

14 **Status ~ No update or change from October 2002 quarterly report
15 status.**

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

19 **Status ~ No update or change from October 2002 quarterly report
20 status.**

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

**Status ~ No update or change from October 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 hired Orion to coordinate the Warner Road project.
The award was made to Archon, Inc. at the December 17, 2002**

1 *Town Council Meeting. Work has begun, SRP discussed the SEP*
2 *construction schedule and the various access needs during the*
3 *road widening. SRP also emphasized the strong desire to*
4 *maintain as many of the existing bushes and trees along the*
5 *north plant boundary as possible. The current plan is to*
6 *complete work on the north border of the Santan property first,*
7 *followed by widening of Warner and Val Vista at the railroad*
8 *crossings. The tentative schedule calls for work north of the*
9 *plant to begin now and be complete by the end of February. The*
10 *work on Val Vista at the plant road is planned from February to*
11 *early April followed by the site on Warner west of Val Vista.*

- 12 • *Screening of the Plant ~ SRP is developing construction*
13 *documents for the agreed onsite design. The plans are*
14 *approximately 80% complete. The CWG has reviewed and*
15 *approved the documents; the Town review is expected to occur*
16 *within the next month. SRP has removed all three fuel tanks on*
17 *site and procured two much smaller tanks that will be*
18 *constructed in the space occupied by the larger southernmost*
19 *tank (removed earlier this year). Installation of these two smaller*
20 *tanks has begun. (For more information, see status of Condition*
21 *No. 36.)*
- 22 • *Trail Extension ~ SRP will add the trail extension on the east side*
23 *of Santan and incorporate the extension in the on-site design*
24 *plan.*
- 25 • *Rerouting of Canal at Ray Road ~ This canal modification is*
complete.
- *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 offsite landscaping programs have*
been developed. See Condition 7 status for more details.

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 October 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.

1 **Status ~ No update or change from October 2002 quarterly report status.**

- 2 31. Applicant will construct the heat recovery steam generators ("HRSG")
3 approximately 15 feet below grade and will construct the HRSGs so that the
4 overall height of the HRSG module from the natural grade is no more than
5 80 feet.

6 **Status ~ SRP has hired a contractor to perform a number of site
7 preparation activities, including excavation of the 15 foot deep pit in
8 which the HRSGs and other major power block equipment will be
9 located. This contractor started work on the pit excavation January 7,
10 2003.**

- 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 ~ No update or change from October 2002 quarterly report
20 status.**

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

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

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

1 In the matter of the Application of Salt)
2 River Project Agricultural Improvement and)
3 Power District in conformance with the)
4 requirements of Arizona Revised Statutes)
5 Sections 40-360-03 and 40-360.06, for a)
6 Certificate of Environmental Compatibility)
7 authorizing the Expansion of its Santan)
8 Generating Station, located at the intersection)
9 of Warner Road and Val Vista Drive,)
10 in Gilbert, Arizona, by adding 825 megawatts)
11 of new capacity in the form of three combined)
12 cycle natural gas units, and associated)
13 intraplant transmission lines.)
14 _____)

Case No. 105

Docket No. L-00000B-00-0105

Decision No. _____

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

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

23 35. The Santan Expansion Project shall be required to meet the Lowest
24 Achievable Emission rate (LAER) for Carbon Monoxide (CO), Nitrogen
25 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 October 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.

1 ***Status ~ As summarized in the past, the recent FERC decision to***
2 ***eliminate the current "full requirement" gas transportation contracts***
3 ***between El Paso and the southwestern states could have a significant***
4 ***impact on natural gas supplies in Arizona. In response, SRP has***
5 ***completed an operational assessment of the possible use of ultra low***
6 ***sulfur fuel oil. As previously reported, the turbine equipment***
7 ***manufacturer, General Electric (GE) provided SRP with an evaluation of***
8 ***the performance of the existing gas turbines on ultra low sulfur fuel oil.***
9 ***GE reported that SO2 emissions would be significantly lower, and***
10 ***emissions of other criteria pollutants (NOx, VOC, PM10, CO) would be***
11 ***comparable when using ultra low sulfur fuel oil as compared to low***
12 ***sulfur fuel oil or CARB diesel.***

13 **Distillate Fuel Storage Capacity**

14 ***Three tanks that were formerly used to store distillate fuel on site have***
15 ***been demolished, and removed from plant site.***
16 ***Construction of two new, smaller tanks for the potential storage of ultra***
17 ***low sulfur fuel oil has begun. The first tank is approximately 50%***
18 ***complete. The profile of the new tanks is thirteen feet less than the***
19 ***original tanks, substantially reducing the visual impact. The storage***
20 ***capacity of the new tanks is 44,000 barrels, roughly one-tenth of the***
21 ***original fuel storage capacity.***

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

25 ***Status ~ No update or change from October 2002 quarterly report***
 status.

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 ~ No update or change from October 2002 quarterly report
 status.

39. 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.

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

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

Status ~ The following represents an update to our use of local contractors on some of the jobs completed or in progress since the October report.

**Modification of fuel oil tank containment dike, tank foundation pads, unloading pump foundation.
Hunter Contracting
701 North Cooper Road
Gilbert, Arizona 85299
(480) 892-0521**

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

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

APPROVED AS AMENDED BY ORDER OF THE ARIZONA CORPORATION COMMISSION

Chairman

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

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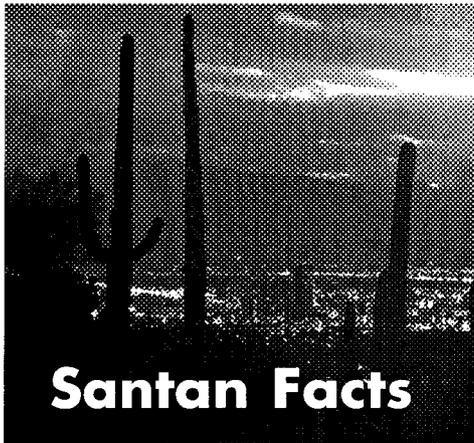
Dissent: _____

Energy News



December 2002 No. 12

Useful information for the Gilbert community



Santan Facts

- ◆ SRP's expansion of the Santan Generating Station will bring 825 megawatts of new electricity to the Southeast Valley, where energy demand has increased and continues to with the residential and business 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 earthen 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 the summer of 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 twelfth 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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SRP Implements Plan To Address Off-Site Visual Mitigation

In its Certificate of Environmental Compatibility conditions, the Santan Expansion Project (SEP) has agreed to address mitigating the visual impact of the project on the surrounding community. This relates to views from locations throughout the neighboring developments, as well as landscaping on the SEP site. The project was approved by the Arizona Corporation Commission (ACC) in April 2001.

SRP worked with the Landscaping and Mitigation Community Working Group (CWG), which was composed of Gilbert residents. The CWG met 24 times in open public meetings.

In its last meeting, the CWG delegated responsibility for the development of the *off-site* mitigation plan to SRP. Working with the extensive input from the CWG, SRP and Ten-Eyck Landscape Architects developed a plan which features **distribution of \$1.5 million to homeowner associations (HOA)** and in certain locations homeowners located within a 1.25-mile radius from the center of the Santan site.

Taking into consideration the varied conditions in the surrounding area, SRP has developed an equitable fund distribution based on these four factors:

- ◆ Proximity to the plant site
- ◆ Subdivision area
- ◆ Number of lots within the subdivision
- ◆ Special condition areas.

Under SRP's plan, 19 different homeowners associations and residents of three county communities are eligible for participation. SRP has met with all of

the HOAs to explain the off-site mitigation plan, review the guidelines for spending the allocation and answer questions. Individual homeowners not represented by an HOA will receive allocations consisting of plant nursery vouchers and funds for associated services.

The HOAs will receive the allocation and will be responsible for using it to achieve appropriate visual mitigation of the generating equipment on the site. These efforts must be consistent with the town of Gilbert's current planning and permitting criteria. Each HOA is required to notify its residents of its plans for spending the allocation.

Residents within the eligible HOAs are encouraged to participate in the planning of how best to use the mitigation allocation. Once the individual HOA plans are submitted and reviewed, SRP will forward the allocated funds to the town of Gilbert for distribution.

The mitigation allocation is intended to address visual concerns for residences and common areas in neighborhoods surrounding the plant site.

Individuals with questions about how the off-site mitigation plan will be implemented in their community should contact their HOA. For additional general information about the program, contact **SRP's Michelle Colores at 602-236-5442**, or **Randy Dietrich at 602-236-4311**.



P.O. Box 52025
Phoenix, AZ 85072-2025

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CEC Conditions Being Met

When the Arizona Corporation Commission approved the Santan Expansion Project Certificate of Environmental Compatibility (CEC) it established several conditions to be met in the development of the project. SRP is committed to abiding by those conditions. Some of that progress is discussed below. To learn more about the conditions and SRP's progress in achieving them, visit the SEP Web site www.santanfacts.org.

SRP has commissioned a study, in partnership with the Town of Gilbert and other East Valley cities, to define the scope of work for the **Gilbert/East Valley Transit Systems Plan (GEVTS)**. The last major element in the regional network of community transit plans, the GEVTS will be closely linked to

the transit plans of adjacent cities, yet maintain the flexibility to meet Gilbert's unique needs.

SRP President Bill Schrader presented officials from the town of Gilbert with the keys to two new, **environmentally friendly street sweepers** in a ceremony earlier this year at the Gilbert Town Hall Municipal Building.

The purchase of the street sweepers is part of an agreement between SRP and the town related to the expansion of the Santan Generation Facility. These sweepers and other measures such as the paving of approximately 10 miles of roads in the East Valley were agreed to by SRP to help reduce localized particulate air emissions.

E-mail, Internet Provide Updates

The Santan Expansion Project (SEP) Web site www.santanfacts.org offers interested individuals two ways to stay abreast of the project's progress: e-mails and frequent postings. As part of its effort to manage funds wisely, SRP will reduce the number of standard mailings associated with the SEP and instead use e-mail to deliver news and information, similar to this newsletter. To sign up for future mailings, just visit the Web site.

While you are there, take a few minutes to look around and discover the wealth of information. If you have questions, contact us at webmaster@santanfacts.org.