



0000091185

L-00000B-00-0105

02

ORIGINAL

**SALT RIVER PROJECT**

POST OFFICE BOX 52025  
PHOENIX, ARIZONA  
85072-2025  
(602) 236-5949  
Fax (602) 236-2881

**DAVID G. AREGHINI**  
ASSOCIATE GENERAL MANAGER  
Power, Construction and  
Engineering Services

June 27, 2003

RECEIVED  
JUN 30 2003

The Honorable Steven M. Berman  
The Honorable Dave Crozier  
The Honorable Larry J. Morrison  
The Honorable Dave Petersen  
The Honorable Les Presmyk  
The Honorable Donald Skousen  
The Honorable Steve Urie  
Town of Gilbert  
1025 S. Gilbert Road  
Gilbert, Arizona 85296-3401

Arizona Corporation Commission

DOCKETED

JUN 30 2003

DOCKETED BY *CM*

RECEIVED  
2003 JUN 30 P 3:16

Re: Status of SRP's Application to Amend the Certificate of Environmental  
Compatibility (CEC) for the Santan Generating Station

Dear Mayor and Council Members:

On June 25, 2003, the Arizona Corporation Commission (ACC) held a special open meeting to discuss the procedural process for the Salt River Project Agricultural Improvement and Power District's (SRP) application to amend the Santan Generating Station Decision No. 63611 to allow the use of ultra-low sulfur fuel at the existing plant (Units 1-4) during emergency situations. At this meeting, there was a discussion by the Commissioners that the application was premature and certain Commissioners indicated that they would prefer to defer consideration of the application until after FERC issues its final ruling to address the reallocation of natural gas transportation capacity on the El Paso Natural Gas pipeline system. As a result of the concerns expressed by some of the Commissioners, SRP agreed to voluntarily withdraw the application.

SRP filed the request to amend Condition 36 of the Certificate of Environmental Compatibility decision for the Santan Generating Station to allow SRP to use ultra-low sulfur fuel, in emergency situations only, in the existing Santan units. SRP believes that since the date of the Santan CEC decision, the risk that natural gas supplies may be interrupted has materially increased. SRP filed this request in light of the increasing risk of natural gas curtailments and shortages, including recent FERC actions that put Arizona's natural gas deliveries at risk. This request was also made to assist SRP in

Mayor and Council Members  
Page Two  
June 27, 2003

meeting its Homeland Security objectives and to provide an alternate means of assuring electricity supply and voltage support in the Valley given the fact that Central Arizona is served by a single natural gas pipeline system.

SRP understands the Commissioners' concerns of addressing this issue before FERC makes its final ruling. SRP does remain concerned about the existing risks associated with natural gas interruptions, including possible Homeland Security issues and continues to explore other options to address these risks.

As indicated at the special open meeting, SRP intends to continue the process to revise Santan's air quality permit with the Maricopa County Environmental Services Department to allow for the use of ultra-low sulfur fuel in emergency situations in the existing Santan units. This is necessary because the air quality permit amendment process can take up to ten to twelve months. Proceeding with the county permit process will provide for a timely examination of all air quality issues in the event that the ACC decides to revisit the issue at a later date.

SRP will request that the County include a provision in the final air quality permit that will prohibit the use of any low sulfur fuel at Santan until authorized by the Arizona Corporation Commission. Regardless of the outcome of the County air quality permit process, SRP will continue to fully comply with Condition 36 of the CEC for the Santan Generating Station that prohibits the use of any diesel fuel at Santan unless the ACC decides to subsequently amend the condition.

Once FERC makes a final determination on the El Paso gas transportation allocation issue, it may be appropriate for the Commission to reconsider this issue.

Thank you for your interest in this matter. As always, if you have any questions, please feel free to contact me.

Sincerely,



David G. Areghini

cc: Chairman Marc Spitzer, Arizona Corporation Commission  
Commissioner Jim Irvin, Arizona Corporation Commission  
Commissioner William A. Mundell, Arizona Corporation Commission  
Commissioner Jeff Hatch-Miller, Arizona Corporation Commission  
Commissioner Mike Gleason, Arizona Corporation Commission  
Al Brown, Director, Maricopa County Environmental Services Department