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**SALT RIVER PROJECT**

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AZ CORP COMMISSION  
DOCKET CONTROL

**KELLY J. BARR, ESQ.**

Manager, Regulatory Affairs & Contracts

July 31, 2003

Chairman Marc Spitzer  
Commissioner Jim Irvin  
Commissioner William A. Mundell  
Commissioner Jeff Hatch-Miller  
Commissioner Mike Gleason  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

Arizona Corporation Commission  
**DOCKETED**

JUL 31 2003

DOCKETED BY	<i>KJB</i>
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Re: Docket No. L-00000B-00-0105, Decision No. 63611

Dear Commissioners:

Enclosed please find SRP's seventh 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  
James Jayne, Interim Executive Secretary  
Docket Control

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

16 Applicant and its assignees are granted a Certificate of Environmental  
17 Compatibility authorizing the construction of an 825 megawatt generating facility  
18 consisting of three combined cycle units with a total net output of 825 megawatts  
19 together with related infrastructure and appurtenances, in the Town of Gilbert, on  
20 Applicant's existing Santan Generating Station site, and related switchyard and  
21 transmission connections, as more specifically described in the Application (collectively,  
22 the "Project"). Applicant is granted flexibility to construct the units in phases, with  
23 different steam turbine configurations, and with different transmission connection  
24 configurations, so long as the construction meets the general parameters set forth in the  
25 application.

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 ~ SRP submitted the AZPDES permit application to ADEQ on  
8 July 1, 2003 for its wastewater discharge to the SRP irrigation system.  
9 The Aquifer Protection Permit (APP) is currently being prepared for the  
10 wastewater impoundments and associated discharge of wastewater to  
11 the RWCD irrigation system. Discussions are continuing with ADEQ  
12 regarding the Reclaimed Water Permit and its requirements.***

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

19 ***Status ~ The Santan Expansion Project is currently under construction.  
20 Over 275 workers are presently on site. The pit area where the major  
21 plant components, such as the HRSGs, will be located, is almost  
22 complete and substructures (foundations, underground piping and  
23 electrical systems) are nearly half done. In July we received the first  
24 shipment of power plant components. The construction contract for the  
25 natural gas pipeline has been awarded and deliveries of pipe have  
26 begun. The landscape contractor has started the shaping of the north  
27 and west side berms and construction of the gabion walls. The first two  
28 units (which are collectively designated as Santan Unit 5 because they  
29 are configured as a "two on one" unit) are expected to be in commercial  
30 operation in the summer of 2005.***

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

36 ***Status ~ No update or change from April 2003 quarterly report.***

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

41 ***Status ~ No update or change from April 2003 quarterly report.***

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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 April 2003 quarterly report.**

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

**Status ~ No update or change from April 2003 quarterly report.**

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.

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

1 administered by the Town of Gilbert, to provide for the construction and  
2 maintenance of off-site landscaping in the areas depicted in the off-site  
3 landscaping concepts as developed by the CWG in an amount sufficient to  
4 fund the concepts in Exhibit 88 or concepts developed by the CWG,  
5 whichever is greater.

6 **Status ~**

7 **Onsite Landscaping Program ~**

8 ***The landscape contractor was hired in May 2003 and has begun onsite  
9 landscaping activities that include shaping the berm, installing gabion  
10 walls, clearing the land of scrub and trimming existing trees. See  
11 Condition 28 status for more details.***

12 **HOA Offsite Landscaping Program ~**

13 ***Nineteen (19) HOAs are within the defined radius and eligible to  
14 participate in the program.***

15 ***Initially, all nineteen (19) HOAs agreed to participate in the program.***

16 ***SRP will make a one-time payment to the HOAs to fund improvements  
17 to help mitigate views of the power plant.***

18 ***Future annual payments to the HOAs for offsite landscaping  
19 maintenance will be 5% of that portion of the one time allocation  
20 dedicated to vegetative landscaping. The annual payments will  
21 continue for a period of twenty (20) years beginning in 2004.***

22 ***The deadline for participation in the HOA Offsite Landscaping Program  
23 was in May of 2003. Seventeen HOAs submitted and received approval  
24 for their landscaping plans.***

25 ***A distribution of \$339,211 was made in April for three communities; an  
additional \$450,363 was distributed in June to four HOAs. Upon Town  
of Gilbert approval an additional \$537,614 will be disbursed to the final  
ten HOAs.***

**Individual County Landscaping Program ~**

***No update or change from April 2003 quarterly report.***

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 ~ No update or change from April 2003 quarterly report.**

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

1 turbines, and heat recovery steam generators, except where delays are  
2 reasonably necessary to facilitate construction activities.

3 **Status ~ No update or change from April 2003 quarterly report. See**  
4 **Conditions 7 and 28 for further detail on landscaping activities.**

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

18 **Status ~ No update or change from April 2003 quarterly report.**

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

23 **Status ~ No update or change from April 2003 quarterly report.**

- 24 12. Applicant shall actively work with all interested Valley cities, including at a  
25 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 ~ No update or change from April 2003 quarterly report.**

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.**

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

6 ***Status ~ Through June 2003, SRP had delivered a total of 18,477 acre  
7 feet of CAP water to the Granite Reef Underground Storage Project for  
8 future use at SEP via recovery from any SRP owned wells (Association  
9 or District) and delivered to SEP from the Eastern Canal (or onsite  
10 District wells). We are on target to meet or exceed the storage of 30,000  
11 acre feet of CAP water by May 2005.***

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

15 ***Status ~ No update or change from April 2003 quarterly report.***

16 16. Applicant agrees to maintain on file with the Town of Gilbert safety and  
17 emergency plans relative to emergency conditions that may arise at the  
18 plant site. On at least an annual basis Applicant shall review and update, if  
19 necessary, the emergency plans. Copies of these plans will be made  
20 available to the public and on Applicant's web site. Additionally Applicant  
21 will cooperate with the Town of Gilbert to develop an emergency notification  
22 plan and to provide information to community residents relative to potential  
23 emergency situations arising from the plant or related facilities. Applicant  
24 agrees to work with the Gilbert police and fire departments to jointly develop  
25 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 April 2003 quarterly report.***

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

20 ***Status ~ No update or change from April 2003 quarterly report.***

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

25 ***Status ~ No update or change from April 2003 quarterly report.***

- 1 19. Beginning upon operation of the new units, Applicant will establish a citizens'  
2 committee, elected by the CWG, to monitor air and noise compliance and  
3 water quality reporting. Applicant will establish on-site air and noise  
4 monitoring facilities to facilitate the process. Additionally Applicant shall  
5 work with Maricopa County and the Arizona Department of Environmental  
6 Quality to enhance monitoring in the vicinity of the plant site in a manner  
7 acceptable to Maricopa County and the Arizona Department of  
8 Environmental Quality. Results of air monitoring will be made reasonably  
9 available to the public and to the citizens' committee. Applicant shall provide  
10 on and off-site noise monitoring services (at least on a quarterly basis),  
11 testing those locations suggested by the citizens' committee. The off-site air  
12 monitoring plan shall be funded by the Applicant and be implemented before  
13 operation of the plant expansion.

14 **Status ~ The ambient air monitoring station, located approximately ½  
15 mile east of Gilbert Road and ½ mile north of Warner Road, is operating  
16 and has been collecting data since May 2003. This location was  
17 approved by Maricopa County on October 9, 2002. The plan for  
18 reporting and making results reasonably available to the public will be  
19 presented to the Citizens Committee when it is reconvened in the  
20 summer of 2004.**

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

25 **Status ~ No update or change from April 2003 quarterly report.**

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

28 **Status ~ No update or change from April 2003 quarterly report.**

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

32 **Status ~ No update or change from April 2003 quarterly report.**

- 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).

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

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

5 **Status ~ No update or change from April 2003 quarterly report.**

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

10 **Status ~ No update or change from April 2003 quarterly report.**

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

14 **Status ~ On July 2, 2003, the Maricopa County Board of Supervisors  
15 approved new air quality Rule 322, which allows existing power plants  
16 to use low sulfur diesel only under emergency conditions and for  
17 limited testing. This rule will not apply to Santan as condition #36 of  
18 this CEC prohibits the use of diesel fuel in the operation of any  
19 combustion turbine or heat recovery steam generator located at the  
20 plant.**

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 April 2003 quarterly report.**

26 28. Applicant will comply with the provisions of the Intergovernmental  
27 Agreement dated April 25, 2000 between Applicant and the Town of Gilbert,  
28 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 ~ This work is  
complete.**

**Screening of the Plant ~ SRP, in conjunction with Ten Eyck Landscape  
Architects, has developed construction documents for the agreed  
onsite design. The CWG has reviewed and approved the documents.  
The Town review is complete. The RFP for landscape construction was  
issued on April 3, 2003. The contract was awarded on May 29, 2003 to**

1 ***Evergreen Lawn Sprinklers, Inc. Contractor mobilization was June 26, 2003. See Condition 7 status for more details.***

2 ***Trail Extension ~ SRP will add the trail extension on the east side of Santan and incorporate the extension in the on-site design plan.***

3 ***Rerouting of Canal at Ray Road ~ This canal modification is complete.***

4 ***Training Tower Removal ~ This training tower was removed in the fall of 2000.***

5 ***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.***

6 ***Dust Control Along Canals ~ SRP is in compliance with applicable PM-10 standards along SRP canal banks.***

7 ***Offsite Tree Planting ~ The offsite landscaping programs have been developed. See Condition 7 status for more details.***

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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.

13 ***Status ~ No update or change from April 2003 quarterly report.***

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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.

16 ***Status ~ No update or change from April 2003 quarterly report.***

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- 18
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.

19 ***Status ~ No update or change from April 2003 quarterly report.***

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- 21
32. Applicant will complete the installation of the dry low NOX burners on the existing units prior to the construction of the new units.

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

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- 25
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 April 2003 quarterly report.**

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 ~ The santanfacts.org website has been updated to reflect SRP's filing of a revised air quality permit application on June 19, 2003.**

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 )  
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. \_\_\_\_\_

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

1 need for an adequate, economical and reliable supply of electric power with the desire  
2 to minimize the effect thereof on the environment and ecology of the state;

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

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

13 ***Status ~ On February 10, 2003 the Maricopa County Environmental  
14 Services Department issued an air quality permit for the Santan  
15 Expansion Project. The air permit mandates the following Lowest  
16 Achievable Emission Rates:***

- 17 • CO – 2 ppm w/o duct firing; 2 ppm w/ duct firing
- 18 • NOx – 2 ppm w/o duct firing; 2 ppm w/ duct firing
- 19 • VOC – 1 ppm w/o duct firing; 2 ppm w/ duct firing
- 20 • PM10 - .01 lb/mmBtu

- 21 36. Due to the plant's location in a non-attainment area, the Applicant shall not  
22 use diesel fuel in the operation of any combustion turbine or heat recovery  
23 steam generator located at the plant.

24 ***Status ~ In May 2003, SRP filed a request with the ACC to amend  
25 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 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.***

***On June 25, 2003, the ACC held a special open meeting to discuss the  
procedural process for the 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.***

1                   **At this meeting, there was a discussion by the Commissioners that the**  
2                   **application was premature and certain Commissioners indicated that**  
3                   **they would prefer to defer consideration of the application until after**  
4                   **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.**

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

8                   **As indicated at the special open meeting, SRP intends to continue the**  
9                   **process to revise Santan's air quality permit with the Maricopa County**  
10                  **Environmental Services Department to allow for the use of ultra-low**  
11                  **sulfur fuel in emergency situations in the existing Santan units. This is**  
12                  **necessary because the air quality permit amendment process can take**  
                    **up 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.**

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

20                  **On July 9, 2003 FERC Commissioners denied Arizona's request for a**  
21                  **rehearing of earlier FERC orders that will impose significant service**  
22                  **limitations, beginning September 1, 2003, for Arizona's full**  
23                  **requirements shippers who receive service from El Paso Natural Gas.**  
24                  **To make up these capacity shortfalls, SRP will either have to purchase**  
25                  **gas through bundled sales from merchants holding El Paso capacity or**  
                    **purchase capacity from these same sellers in the secondary market.**  
                    **SRP joined the ACC in its emergency motion filed on July 25, 2003,**  
                    **requesting a stay of the orders pending judicial review. The ACC and**  
                    **SRP also plan to file an appeal of the FERC orders.**

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

**Status ~ The Unit 2 CO catalyst was installed and is operating as of May 2003. To date, CO catalysts have been installed on Units 2 and 4. Units 1 and 3 will be completed during the Winter 2003/2004 outages.**

1 38. Beginning upon commercial operation of the new units, Applicant shall  
2 conduct a review of the Santan Generating facility operations and  
3 equipment every five years and shall, within 120 days of completing such  
4 review, file with the Commission and all parties in this docket, a report  
5 listing all improvements which would reduce plant emissions and the costs  
6 associated with each potential improvement. Commission Staff shall  
7 review the report and issue its findings on the report, which will include an  
8 economic feasibility study, to the Commission within 60 days of receipt.  
9 Applicant shall install said improvements within 24 months of filing the  
10 review with the Commission, absent an order from the Commission  
11 directing otherwise.

12 **Status ~ No update or change from April 2003 quarterly report.**

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

16 **Status ~ No update or change from April 2003 quarterly report.**

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

20 **Status ~ Over fifty-three local or in-state contractors have been  
21 engaged on jobs completed or in progress.**

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

**Status ~ No update or change from April 2003 quarterly report.**

**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

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Commission to be affixed this \_\_\_\_ day  
of \_\_\_\_\_, 2001.

By: \_\_\_\_\_  
Brian C. McNeil  
Executive Secretary

Dissent: \_\_\_\_\_