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OPEN MEETING AGENDA ITEM



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August 21, 2009

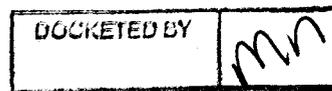
HAND DELIVERED

Kristin K. Mayes, Chairman
Gary Pierce, Commissioner
Paul Newman, Commissioner
Sandra D. Kennedy, Commissioner
Bob Stump, Commissioner
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007

Arizona Corporation Commission

DOCKETED

AUG 21 2009



**Re: Request by Commissioners for Information Regarding AEPCO Ash Pond Facilities
Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") Rate Case
Docket No. E-01575A-08-0328**

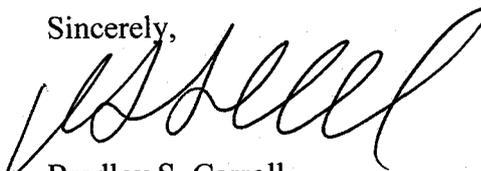
Dear Chairman and Commissioners:

At the August 17, 2009, Open Meeting in Tucson, Arizona, Chairman Mayes and Commissioner Newman requested that SSVEC ask Arizona Electric Power Cooperative, Inc. ("AEPCO") to provide SSVEC with information regarding recent Environmental Protection Agency ("EPA") reports and/or studies relating to AEPCO ash ponds disposal facilities that SSVEC could provide to the Commission. Following the Open Meeting, counsel for SSVEC contacted counsel for AEPCO to make the request. On August 19, 2009, counsel for AEPCO informed counsel for SSVEC that AEPCO was not aware of any reports or studies in this regard, but provided an EPA Fact Sheet regarding this issue, as well as a copy of a letter it was sending to the Commission which outlines AEPCO's understanding of the issue and its relation to AEPCO.

Letter to Commissioners
August 21, 2009
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On behalf of SSVEC, and in compliance with the Commission's request, attached hereto are copies of the EPA Fact sheet and AEPCO's August 19, 2009, letter to the Commission addressing this issue.

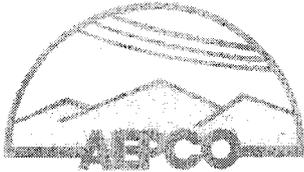
Sincerely,



Bradley S. Carroll

BSC/dap
Attachments

cc: Jane Rodda, Administrative Law Judge (Via E-Mail)
Janice Alward, Chief Counsel (Hand-Delivered)
Wesley C. Van Cleve, Attorney (Hand-Delivered)
Steve Olea, Director of Utilities (Hand-Delivered)
Docket Control (14 copies) (Hand-Delivered)
Creden Huber, SSVEC (Via E-Mail)
Jack Blair, SSVEC (Via E-Mail)
Michael M. Grant (Via E-Mail)



Arizona Electric Power Cooperative, Inc.

P.O. Box 670 • Benson, Arizona 85602-0670 • Phone 520-586-3631

August 19, 2009

Commissioner Paul Newman
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: *Arizona Electric Power Cooperative, Inc. ("AEPCO") Ash Pond Facilities*

Dear Commissioner Newman:

We understand from Sulphur Springs Valley Electric Cooperative's attorney that you and possibly other Commissioners have questions regarding a recent posting on its website by the U.S. Environmental Protection Agency (EPA) concerning an assessment of ash disposal facilities nationwide. We have provided a copy of that fact sheet¹ to Sulphur Springs, and also wanted to provide the Commissioners additional background information concerning it.

In the early part of 2009, the EPA issued a broad request to coal-based electric generators throughout the country, including AEPCO, for information relating to certain impoundments, dams or other so-called "management units" holding wet-handled coal combustion residues, or "CCR." Of the 431 slurried CCR facilities identified by the EPA, 49 of these facilities at 30 different locations were assigned a "high hazard potential" rating based on the criteria developed by the National Dam Safety Program for the National Inventory of Dams. In developing this classification, the EPA's focus is on whether property damage or loss of life could occur in the facility's vicinity in the event of a catastrophic breach. With respect to AEPCO's Apache Station, located in Cochise, Arizona, there are two residences that are within a computer-modeled inundation area downstream from its CCR facility, i.e., the lined ponds and embankments holding coal ash slurry that results from the operation of the generating plant (Ash Ponds). This is the basis for the classification.

AEPCO would stress that the high hazard potential classification of its Ash Ponds *does not* in any way relate to the current condition of the facility, including its design, structural integrity or flood routing capacity. As the EPA fact sheet states, "the rating is not an indication of the structural integrity of the unit or the possibility that a failure will occur in the future." (Emphasis added.) Rather, the classification is an engineering evaluation based on the height of the dam or impoundment, the volume of liquid and solid material it contains and the proximity to people and property that would be vulnerable in the event of a failure.

¹ It is also attached here as Exhibit A. No "report" on this subject has been issued by the EPA.



Commissioner Paul Newman
August 19, 2009
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Apache's Ash Ponds went into service in 1995. They were designed and constructed in accordance with strict regulatory standards under the direction of a registered professional civil engineering firm. Safety inspections and monitoring of the Ash Pond facilities are performed by AEPCO internally under the supervision of a registered professional engineer on a weekly, monthly and quarterly basis.

The Dam Safety and Flood Mitigation Division of the Arizona Department of Water Resources (ADWR) also perform annual inspections. Importantly, these regular inspections have never resulted in a single safety standard violation associated with the Ash Pond facilities.

AEPCO strives to maintain the highest standards of inspection, maintenance and safety in all of its operations and facilities. It is confident the Ash Pond facilities at Apache are safe.

Finally, there are no special or additional costs being incurred by AEPCO as a result of the EPA classification. The inspection, maintenance and safety activities I have described are standard operating costs which AEPCO routinely incurs and has incurred for many years in relation to the Ash Ponds.

I hope this letter has provided you the information needed on this issue. However, should there be any additional questions, please do not hesitate to contact Michelle Freemark, Manager of Environmental at 520-586-5122, or our counsel Michael Grant at 602-530-8291.

Sincerely,



Donald W. Kimball
Executive Vice President and Chief Executive Officer

Enc.

cc: Commissioner Kristin K. Mayes, Chairman
Commissioner Gary Pierce
Commissioner Sandra D. Kennedy
Commissioner Bob Stump
Alan Stephens, Aide to Commissioner Newman
Steve Olea, Utilities Division Director

**Fact Sheet: Coal Combustion Residuals (CCR)
Surface Impoundments with High Hazard Potential Ratings**

- Over the past several months, EPA has undertaken a concerted effort to identify and to assess the structural integrity of impoundments, dams, or other management units, within the electric power generating industry, holding wet-handled coal combustion residuals or CCRs.
- In response to an EPA information request on units handling wet or slurried CCRs, electric utilities have so far identified a total of 431 units managing slurried CCRs at 162 facilities from our first mailing. (The Agency sent out a 2nd mailing to an additional 48 facilities that were identified as also having units that manage wet or slurried CCRs. The information from this 2nd mailing is not included in this Fact Sheet at this time.). Forty-nine (49) of these units at 30 different locations have been assigned a high hazard potential rating, using the criteria developed by the National Dam Safety Program for the National Inventory of Dams.
- The National Inventory of Dams hazard potential ratings address the potential consequences of failure or misoperation of the dam. A high hazard potential rating indicates that a failure will probably cause loss of human life; the rating is not an indication of the structural integrity of the unit or the possibility that a failure will occur in the future; it merely allows dam safety and other officials to determine where significant damage or loss of life may occur if there is a structural failure of the unit. EPA's assessment of the facilities that have units with high hazard potential ratings continues to be an Agency priority. EPA plans to make public the results of our assessments as soon as they are completed.
- CCRs consist of fly ash, bottom ash, coal slag, and flue gas desulfurization (FGD) residue. CCRs contain a broad range of metals, for example, arsenic, selenium, cadmium, lead, and mercury, but the concentrations of these are generally low. However, if not properly managed, (for example, in lined units), CCRs may cause a risk to human health and the environment and, in fact, EPA has documented cases of environmental damage.
- Information on the presence of these is important to States, local officials, including first responders, and the residents of local communities so that appropriate preparedness efforts can be undertaken, reviewed, or maintained.
- Many States have active dam safety programs and in many cases, local government agencies, first responders, and the local community are involved in preparedness efforts. By providing this information, EPA's goal is to assist in these efforts.
- The following 49 CCR management units at 30 facilities currently have a High Hazard Potential rating:

List of 49 High Hazard Potential Units – August 2009			
Company	Facility Name	Unit Name	Location/State Contact
Allegheny Energy	Pleasants Power Station	McElroy's Run Embankment	Willow Island, W VA
American Electric Power	Big Sandy	Fly Ash	Louisa, KY
American Electric Power	Cardinal	Fly Ash Reservoir 2	Brilliant, OH
American Electric Power	General James M Gavin	Fly Ash Pond	Cheshire, OH
American Electric Power	General James M Gavin	Bottom Ash Pond	Cheshire, OH
American Electric Power	John E Amos	Fly Ash Pond	St. Albans, W VA
American Electric Power	Mitchell	Fly Ash Pond	Moundsville, W VA
American Electric Power	Muskingum River	Unit 5 Bottom Ash Pond (Lower Fly Ash Pond)	Waterford, OH
American Electric Power	Muskingum River	Upper Fly Ash Pond	Waterford, OH
American Electric Power	Muskingum River	Middle Fly Ash Pond	Waterford, OH
American Electric Power	Philip Sporn	Fly Ash Pond	New Haven, WV
American Electric Power	Tanners Creek	Fly Ash Pond	Lawrenceburg, IN
Arizona Electric Pwr Coop Inc	Apache Station Combustion Waste Disposal Facility	Ash Pond 4	Cochise, AZ
Arizona Electric Pwr Coop Inc	Apache Station Combustion Waste Disposal Facility	Ash Pond 1	Cochise, AZ
Arizona Electric Pwr Coop Inc	Apache Station Combustion Waste Disposal Facility	Ash Pond 3	Cochise, AZ
Arizona Electric Pwr Coop Inc	Apache Station Combustion Waste Disposal Facility	Scrubber Pond 2	Cochise, AZ
Arizona Electric Pwr Coop Inc	Apache Station Combustion Waste Disposal Facility	Scrubber Pond 1	Cochise, AZ
Arizona Electric Pwr Coop Inc	Apache Station Combustion Waste Disposal Facility	Evaporation 1	Cochise, AZ
Arizona Electric Pwr Coop Inc	Apache Station Combustion Waste Disposal Facility	Ash Pond 2	Cochise, AZ

Company	Facility Name	Unit Name	Location/State Contact
Arizona Public Service Co	Cholla	Bottom Ash Pond	Joseph City AZ
Arizona Public Service Co	Cholla	Fly Ash Pond	Joseph City, AZ
Duke Energy Corp	Allen Steam Plant	Active Ash Pond	Belmont, NC
Duke Energy Corp	Belews Creek Steam Station	Active Ash Pond	Walnut Cove, NC
Duke Energy Corp	Buck	New Primary Pond	Spencer, NC
Duke Energy Corp	Buck	Secondary Pond	Spencer, NC
Duke Energy Corp	Buck	Primary Pond	Spencer, NC
Duke Energy Corp	Dan River	Secondary Pond	Eden, NC
Duke Energy Corp	Dan River	Primary Pond	Eden, NC
Duke Energy Corp	Marshall Steam Station	Active Ash Pond	Terrell, NC
Duke Energy Corp	Riverbend	Secondary Pond	Mount Holly, NC
Duke Energy Corp	Riverbend	Primary Pond	Mount Holly, NC
Dynegy Midwest Generation Inc	Havana	East Ash Pond	Havana, IL
Dynegy Midwest Generation Inc	Wood River	East Ash Pond (2 cells)	Alton, IL
First Energy Generation Corp	Bruce Mansfield	Little Blue Run Dam	Shippingport, PA
Georgia Power	Plant Branch	E	Milledgeville, GA
Kentucky Utilities Co	E W Brown	Auxiliary Pond	Harrodsburg, KY
Kentucky Utilities Co	E W Brown	Ash Pond	Harrodsburg, KY
Kentucky Utilities Co	Ghent	Gypsum Stacking Facility	Ghent, KY
Kentucky Utilities Co	Ghent	Ash Pond Basin 1	Ghent, KY
Kentucky Utilities Co	Ghent	Ash Pond Basin 2	Ghent, KY
Louisville Gas & Electric Co	Cane Run	Ash Pond	Louisville, KY
PPL Montana LLC	Colstrip Steam Electric Station	Units 1 & 2 Stage Evaporation Ponds (STPE0)	Colstrip, MT
Progress Energy Carolinas Inc	Asheville	1982 Pond	Arden, NC
Progress Energy Carolinas Inc	Asheville	1964 Pond	Arden, NC
Tennessee Valley Authority	Bull Run	Fly Ash Pond and Stilling Basin Area 2	Clinton, TN
Tennessee Valley Authority	Colbert	Ash Pond 4	Tuscumbia, AL

Tennessee Valley Authority	Cumberland	Ash Pond	Cumberland City, TN
Tennessee Valley Authority	Cumberland	Gypsum Storage Area	Cumberland City, TN
Tennessee Valley Authority	Widows Creek	Gypsum Stack	Stevenson, AL

TVA has preliminarily reassessed the potential hazard classifications of the impoundments at each of its 11 fossil plants, in addition to the facility at the now-closed Watts Bar Fossil Plant. Five units at four TVA plant sites are rated "High." Further information on TVA's reassessment of coal combustion surface impoundments.