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Manager, Regulatory Affairs & Contracts

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AZ CORP COMMISSION
DOCKET CONTROL

January 29, 2010

Arizona Corporation Commission
DOCKETED
JAN 29 2010
DOCKETED BY

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

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

Dear Commissioners:

Enclosed please find SRP's annual 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

Kelly J. Barr

Enc.

cc: Lyn Farmer, Chief Administrative Law Judge (via Docket Control distribution)
Steve Olea, Utilities Director (via Docket Control distribution)
Brian Bozzo, Compliance and Enforcement Mgr. (via Docket Control distribution)
Janice Alward, Legal Director (via Docket Control distribution)
Ernest Johnson, Executive Director
Docket Control – original plus 13 copies

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

SRP Santan Expansion Project

Annual Report

January 2010

SANTAN
EXPANSION PROJECT

Prepared for
the Arizona Corporation Commission

Submitted by
SRP

Annual Update

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-00-0105-00000 Decision No. 63611

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

Richard Tobin	Designee for the Arizona Department of Environmental Quality
Dennis Sundie	Designee for the Director of the Department of Water Resources
Mark McWhirter	Designee for the Director of the Energy Office of the Arizona Department of Commerce
George Campbell	Appointed Member
Jeff Mcguire	Appointed Member
A. Wayne Smith	Appointed Member
Sandie Smith	Appointed Member
Mike Whalen	Appointed Member

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

The Arizona Corporation Commission has considered the grant by the Power Plant and Line Siting Committee of a Certificate of Environmental Compatibility to SRP and finds that the provisions of A.R.S. §40-360.06 have complied with, and, in addition, that documentary evidence was presented regarding the need for the Santan Expansion Project. Credible testimony was presented concerning the local generation deficiency in Arizona and the need to locate additional generation within the East Valley in order to minimize transmission constraints and ensure reliability of the transmission grid. The

evidence included a study that assessed the needs of the East Valley. The analysis found that the East Valley peak load currently exceeds the East Valley import capability and within the next 5 years the East Valley load will exceed the load serving capability.

Additional testimony was presented regarding SRP's projected annual 3.7% load growth in its service territory. By 2008, SRP will need approximately 2700 MW to meet its load. This local generation plant will have power available during peak periods for use by SRP customers.

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

Applicant and its assignees are granted a Certificate of Environmental Compatibility authorizing the construction of an 825 megawatt generating facility consisting of three combined cycle units with a total net output of 825 megawatts together with related infrastructure and appurtenances, in the Town of Gilbert, on Applicant's existing Santan Generating Station site, and related switchyard and transmission connections, as more specifically described in the Application (collectively, the "Project"). Applicant is granted flexibility to construct the units in phases, with different steam turbine configurations, and with different transmission connection

configurations, so long as the construction meets the general parameters set forth in the application.

This certificate is granted upon the following conditions:

1. Applicant shall comply with all existing applicable air and water pollution control standards and regulations, and with all existing applicable ordinances, master plans and regulations of the State of Arizona, the Town of Gilbert, the County of Maricopa, the United States, and any other governmental entities having jurisdiction.

   Status ***~ The Santan Power Plant complies with all applicable air and water pollution control standards and permits issued under applicable regulations. Those regulations, permits and standards authorize the regulatory agency with jurisdiction to issue various notices to correct and notices of violation, some of which are then referred to enforcement for the issuance of a penalty or fine. Because the issuance of a notice to correct or notice of violation is not the final determination of the regulatory agency regarding regulatory compliance, SRP will report all NOVs that result in a fine or penalty.***

   Maricopa County was delegated authority by EPA to issue and administer air quality permits consistent with federal regulations. Maricopa County has a unified permitting program, which allows the County to issue a single permit for pre-construction approval of new sources and ongoing operating requirements. SRP received a permit from Maricopa County in 2002 that included a requirement to obtain emission offsets for PM10 and Volatile Organic Compounds (VOCs). The PM10 offset requirement included a stipulation that SRP would comply with a future Maricopa County rule on PM10 emission offsets from road paving prior to operating the plant. Under an agreement with Maricopa County Department of Transportation, SRP paid for the pavement of dirt roads well in advance of the new units becoming operational. Because Maricopa County Environmental Services Department had not yet initiated any action on a PM10 offset rulemaking, SRP applied for and received a minor permit revision from Maricopa County in December 2003 that allowed SRP to pave roads to secure sufficient PM10 offsets consistent with current protocols and then demonstrate compliance with a new County road paving offset rule within months of the rule becoming final.

   While SRP has constructed and operated the plant in compliance with all substantive requirements of its air quality permit with Maricopa County, EPA issued a Notice of Violation (NOV) alleging that the issuance of the permit to SRP by Maricopa County was invalid on

procedural grounds relating to the County's inability to issue SRP a minor permit revision for offsets and the lack of County rule-making on offsets. SRP elected to resolve this issue with EPA pursuant to a Consent Agreement and Final Order (CAFO) dated September 27, 2007, because it believed the fundamental dispute was between EPA and Maricopa County, and not with SRP. SRP did not admit to the specific allegations made by EPA.

Pursuant to the CAFO, SRP paid a civil administrative penalty of $12,500 and was required to either perform a Supplemental Environmental Project consisting of the paving of a previously unpaved road at a cost of at least $37,500 or to pay EPA $37,500 if the Supplemental Environmental Project could not be completed. SRP satisfied the requirements of the CAFO by paying EPA $37,500 on November 21, 2008. Under the new County PM10 offset rule, SRP will not be required to obtain additional PM10 offsets for Santan to conform to the new rule.

SRP did not receive any Notices of Violation (NOVs) from the Maricopa County Air Quality Department (MCAQD) in 2009.

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

   <u>Status</u> ~ Unit 6 was declared in commercial operation on March 1, 2006. Unit 5 (the 2-on-1 units) began commercial operation on April 1, 2005. With the completion of Unit 6, the Santan Expansion Project is complete. SRP constructed the Project within the five year timeframe and has satisfied this condition of the CEC.

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

   <u>Status</u> ~ SRP has completed the activity required by this condition.

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

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

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

Status ***~ SRP is a member of the Southwest Reserve Sharing Group and plans to continue its membership.***

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

Status ***~ SRP has complied with all requirements for groundwater, as set forth in the Third Management Plan for the Phoenix Active Management Area.***

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

Status ~
Onsite Landscaping Program ~
SRP has completed all of the landscaping at the site. A new gate in the northeast corner of the site was installed in September 2007.

The "Trails Area" (equestrian and bike trail) to the east of the power plant is complete. SRP transferred ownership of the Trails Area to the Town of Gilbert on September 13, 2005.

Home Owners' Association (HOA) Offsite Landscaping Program ~
SRP has completed the initial funding for this program, providing a one-time payment to eighteen (18) HOAs in the area for use in providing additional landscaping to help mitigate views of the power plant.

Under the program, SRP committed to making future annual payments of $49,884 to the HOAs for offsite landscaping maintenance for a period of twenty (20) years, beginning in September 2004. In August 2009 SRP submitted a check for its sixth annual maintenance payment of $49,884 to the Town of Gilbert for disbursement to the 18 HOAs. A copy of the cover letter sent to the Town of Gilbert is included in Appendix A.

Individual County Landscaping Program ~
SRP has completed this program.

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

Status ~ ***SRP has satisfied the visual mitigation requirements as initially set forth in the Application and the proceeding and further refined and expanded during the CWG process. SRP's mitigation efforts also include the items specified in the SRP/Town of Gilbert Intergovernmental Agreement.***

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

Status ***~ As noted in condition 7, all of the landscaping work at the site has been completed.***

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

Status ***~ SRP remains in compliance with all applicable noise guidelines and standards. Throughout construction of the project, SRP took noise readings at various locations along the plant boundary three times per week to ensure compliance with noise guidelines and standards. SRP also conducted additional noise testing during nighttime construction activities, such as concrete pours.***

Since Unit 5 began commercial operation on April 1, 2005, plant personnel conducted additional off-site noise testing at the sites designated by the Santan Neighborhood Committee (SNC) on the north, east and south sides of the plant boundaries. The SNC is responsible for establishing the locations, timing and frequency of the off-site noise tests. At the February 20, 2008 SNC meeting, the SNC recommended that SRP discontinue taking off-site noise readings because all of the readings so far indicated that the plant does not contribute to ambient noise in the neighborhoods where measurements were being taken. As a result of this SNC recommendation, off-site noise testing by SRP has been discontinued. For more information on the SNC, please refer to condition 19.

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

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 ***~ Phase 2 of the Gilbert Transportation Study (the Gilbert Bicycle & Pedestrian Plan) is complete. The Gilbert Transportation Study was developed to integrate with the Maricopa Association of Government's (MAG) Transit Study. The final Plan and Development Guidelines were submitted and accepted by the Town of Gilbert.***

Phase 3 of the Plan is to implement portions of the study by building bridges over key canal modal points for connectivity. The consulting firm of NFra was selected to design the bridges on behalf of the Town of Gilbert. SRP has purchased the necessary equipment to allow SRP to continue to maintain and clean the canals once the bridges have been constructed. At this time, four of the six pedestrian bridges have been built and were paid for by SRP. The remaining two pedestrian bridges have been licensed for construction but construction has not yet begun. These two bridges will be paid for by ADOT.

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 ***~ Through December 2009, SRP has delivered a total of 120,355 acre feet of CAP water to GRUSP. In addition, SRP has delivered 29,352***

acre feet of CAP water to the New River - Agua Fria Underground Storage Project (NAUSP). Total CAP water delivered for storage is 149,707 acre feet. CAP water is stored for future use via recovery from any SRP owned wells (Association or District) and delivered to SEP from the Eastern Canal (or onsite District wells). Due to current economic conditions SRP will discontinue the storage of CAP water in 2010. Storage of CAP water will continue in 2011 as conditions warrant. SRP will continue to purchase CAP water for direct use to meet ongoing operational water demands. Due to the large volume of long term storage credits resulting from past storage efforts at GRUSP and NAUSP, the temporary discontinuation of CAP water storage will in no way effect operations at Santan.

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

    <u>Status</u> ~ SRP is in compliance with all applicable federal, state and local regulations relative to storage and transportation of chemicals used at the plant.

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.

    <u>Status</u> ~ SRP is in compliance with all safety standards including secondary containment for bulk materials (chemicals) and development of evacuation procedures for plant personnel. The plant's Emergency Response/Contingency Plan is available on the Santan website. Additionally, a detailed copy of the Emergency Response plan is available at the Town of Gilbert Fire Department as well as with the State Emergency Response Commission (SERC) and the Maricopa County Local Emergency Planning Committee (LEPC).

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

Status ***~ SRP acquired emission reduction credits from the Phoenician and Oak Canyon Manufacturing sufficient to satisfy the 72 ton VOC offset requirement contained in the Santan air quality permit. In addition, SRP, in cooperation with the Maricopa County Department of Transportation (MCDOT), has obtained sufficient PM10 offsets for Units 5 and 6 by paving roads in the east valley, starting with roads closest to the plant site.***

All required offsets have been met for the Santan Expansion Project.

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

Status ***~ SRP's first priority in operating its generating stations, transmission system and distribution system is to safely supply a reliable, low cost source of power to its retail customers. The Santan Expansion Project will be operated in the same manner as current resources and is a significant element in SRP's plans to avoid the kind of price volatility that accompanied the California crisis.***

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.

Status ***~ The Santan Neighborhood Committee (SNC) held a meeting on November 18, 2009. Santan personnel provided data on emissions and water discharges since the last meeting. SRP personnel also updated the group regarding SRP's water history and plan to add an additional substation in Gilbert to meet SRP's future needs. The next meeting of the Santan Neighborhood Committee is scheduled for April 21, 2010.***

As noted in the October 2008 Quarterly Report, the SNC recommended at their May 14, 2008 meeting that SRP discontinue recording data from the Gilbert Air Quality Station because the committee believed sufficient data has been collected. The committee further recommended that the

station be removed by SRP. On December 9, 2008, SRP received a letter from the Director of the Maricopa County Air Quality Department (MCAQD), noting the department's agreement with the findings of the Air Quality Monitoring Program Report and determining that the Gilbert Air Quality Station has served its purpose and is no longer needed, allowing for the removal/demobilization of the station. The station has been donated to ADEQ and will likely be moved by ADEQ to the Hayden, AZ area to monitor air quality in that area.

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

<u>Status</u> ~ SRP explored the option of reduced plume cooling towers via the specification and bidding process for this equipment but found the limited availability, prohibitive cost and additional height requirements of the plume abatement technology to supersede the potential benefits at this time. SRP continues to monitor cooling tower technology and has found no proven methods that would be feasible for use at SEP. However, SRP began funding a research project with ASU in 2007 to determine the feasibility of a new method to reduce the plume in cooling towers. If this project is successful and if the results can be applied to the type of cooling towers at SEP, SRP will consider this new technology for inclusion at SEP.

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

<u>Status</u> ~ SRP completed the sale of the SEP gas pipeline to El Paso Natural Gas Company and Transwestern Pipeline Company.

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

<u>Status</u> ~ SRP will not construct additional Extra High Voltage transmission lines (no new circuits 115kV and above) into or out of the Santan site or substation on the site. However, some of the existing circuits may be bundled in the future.

23. Applicant will replace all Town of Gilbert existing street sweepers with certified PM10 efficient equipment. A PM10 efficient street sweeper is a 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.***

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

Status ***~ A representative of the Arizona Department of Health Services serves on the Santan Neighborhood Committee. The representative's role is to provide technical assistance and expertise to the citizens committee mentioned in condition 19. Such assistance will cover air, noise, and water quality issues.***

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

Status ***~ SRP has an environmental management system (EMS) designed to assure compliance with applicable laws and regulations. The Santan Generating Station is integrated in the SRP EMS. Procedures and Environmental Information Management Systems (EIMS) have been modified to incorporate the new requirements associated with the Santan Expansion Project. Plant personnel responsible for meeting environmental compliance have received training on the new requirements. SRP continues to implement its EMS to ensure continued compliance with all applicable environmental regulations and requirements.***

For additional information on SRP's efforts to comply with federal, state, county and city environmental regulations, please refer to condition 1.

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

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

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

Status ***~ SRP has installed continuous emission monitoring equipment on the new units. Information on the continuous emission monitoring***

equipment and the emissions data is available on the website for the SEP.

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.

<u>Status</u> ~ There are eight SRP obligations noted in the IGA, all of which have been completed. A description of each obligation follows:

<u>Improvements to Warner Road and Val Vista Road</u> ~ These improvements are complete.

<u>Screening of the Plant</u> ~ All of the screening is complete.

<u>Trail Extension</u> ~ In the "Trails Area" to the east of the power plant, work is complete. The "Trails Area" includes a horse trail, unpaved equestrian resting areas complete with benches for the horse's rider, and a shared use path, surrounded by decorative masonry walls, path lighting, and new plantings of trees and shrubs.

<u>Rerouting of Canal at Ray Road</u> ~ This canal modification is complete.

<u>Training Tower Removal</u> ~ This training tower was removed in the fall of 2000.

<u>Revegetation Along New RS 18 Line</u> ~ SRP has restored any vegetation damaged or destroyed along the RS 18 line as a result of the construction of the line.

<u>Dust Control Along Canals</u> ~ SRP is in compliance with applicable PM-10 standards along SRP canal banks.

<u>Offsite Tree Planting ~</u> The offsite landscaping programs are complete. 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.

<u>Status</u> ~ SRP has invested $20 million in community and site improvements, including extensive landscaping to ensure compatibility with the community. Conditions 7, 9 and 28 address SRP's comprehensive landscaping plan that was developed by SRP's landscape architect and approved by the CWG. All of the landscaping

at the project site has been completed and funding for off-site landscaping has been completed as well. The landscaping provides attractive features and was designed to maximize the positive effect on the surrounding neighborhoods.

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

Status ~ This condition is no longer applicable as SRP decided not to use an auxiliary boiler so no auxiliary boiler stack will be necessary.

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

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

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

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

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 ~ SRP has no plans to transfer this Certificate to another entity.

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 ~ 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

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. 63611

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

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

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

application requesting this LAER to the Maricopa County Environmental Services Department.

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

- ***CO – 2 ppm w/o duct firing; 2 ppm w/ duct firing***
- ***NOx – 2 ppm w/o duct firing; 2 ppm w/ duct firing***
- ***VOC – 1 ppm w/o duct firing; 2 ppm w/ duct firing***
- ***PM10 - .01 lb/mmBtu***

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

Status ***~ Since the issuance of the ACC order for the SEP Certificate of Environmental Compatibility, SRP has not burned diesel fuel in the existing Santan generating units. The new generating units associated with the SEP do not have diesel fuel-burning capability.***

On March 3, 2004, the Maricopa County Environmental Services Department, now the Maricopa County Air Quality Department (MCAQD), issued a revision to SRP's air quality permit to allow for the use of ultra low sulfur fuel as an emergency fuel in the existing units. The conditions in the air quality permit are identical to the requirements for emergency fuels contained in Maricopa County's new air quality rule for existing power plants (Rule 322), with the exception of the requirement that SRP use ultra low sulfur fuel rather than low sulfur fuel. In addition, the revised air permit includes a separate condition stating that SRP cannot use the fuel unless previously authorized by the ACC. SRP will continue to fully comply with Condition 36 of the CEC that prohibits the use of diesel fuel in any Santan unit unless amended by the ACC on an emergency basis at some future time.

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

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 ***~ SRP will comply with the requirement for a review of technology that will reduce plant emissions every 5 years after commercial operation of the new units and will report such findings to the Commission and all parties in this docket.***

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.

Status ***~ In March 2009, a check for $20,000 was sent to the Arizona Corporation Commission, for deposit in the Pipeline Safety Revolving Fund. This check satisfies compliance with this condition for the year ending April 30, 2009. A copy of the transmittal letter is included as Appendix B and was previously filed with Docket Control on April 1, 2009. Subsequent checks will be distributed in the March/April timeframe each year.***

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 ***~ Every effort was made to incorporate local contractors for this project. Over one hundred-eleven local or in-state contractors were used on this project.***

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

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 f this Commission to be affixed this ____ day of _____, 2001.

By: _____
Brian C. McNeil
Executive Secretary

Dissent: _____

Appendix A

P.O. Box 52025
Phoenix, AZ 85072-2025
Mail Stop: STS300

Barry Drost
Manager
Santan/Kyrene Generating Stations
Direct Line: 602-236-4380

August 26, 2009

Town of Gilbert
George Pettit, Town Manager
50 E. Civic Center
Gilbert, Arizona 85296

Re: Annual Maintenance Allocation for Santan Expansion Project HOA Landscaping Program.

Dear Mr. Pettit:

Enclosed is the annual maintenance allocation per condition #7 of the SEP Certificate of Environmental Compatibility for the sum of $49,884. The town of Gilbert will distribute the allocation to each homeowner association as listed below:

Participating HOA	Annual Maintenance
Ashland Ranch	$830
Cottonwoods Crossing	$7,438
Finley Farms North	$2,029
Finley Farms South	$8,046
Gateway Ranch	$100
Gilbert Ranch	$400
Greenfield Lakes	$7,907
Lindsay Ranch	$1,250
Mirador Estates	$600
Nelly Commons	$1,836
Rancho Cimarron	$3,813
Rancho Corona	$306
Silverstone Ranch	$1,381
Sonoran Vista	$822
Springtree	$94
Val Vista Place	$558
Western Skies Estates	$10,780
Western Skies Unit 4	$1,694
TOTAL	**$49,884**

The homeowner associations are aware of this annual allocation and that their checks will be issued by September 15th of each year. Please contact me if you have any questions or need further information.

Thank you,

Barry Drost
Plant Manager

Enclosure

Appendix B

SALT RIVER PROJECT
P. O. Box 52025
Phoenix, AZ 85072-2025
(602) 236-5262
Fax (602) 236-3458
kjbarr@srpnet.com

KELLY J. BARR, ESQ.
Manager, Regulatory Affairs & Contracts

March 11, 2009

Mr. Robert Miller
Supervisor, Pipeline Safety Section
Arizona Corporation Commission
2200 N. Central Ave., Suite #300
Phoenix, Arizona 85004

Dear Mr. Miller:

On May 1, 2001 the Commission granted SRP a Certificate of Environmental Compatibility (CEC) for the Santan Expansion Project in Decision Number 63611. Condition 39 of the CEC decision requires that "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."

In our continued compliance with that provision, SRP is submitting a check in the amount of $20,000, made payable to the Arizona Corporation Commission, for deposit in the Pipeline Safety Revolving Fund. This check should fully satisfy compliance with Condition 39 for the year ending April 30, 2009.

Please feel free to contact me if you have additional questions or concerns.

Sincerely,

Kelly J. Barr

Enc.

cc: Docket Control
Barry Drost, Manager, Santan Generating Station