ORIGINAL

THIS AMENDMENT:

_____ Passed _____ Passed as amended by _____

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AZ CORP COMMISSION
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Arizona Corporation Commission
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REVISED MAYES PROPOSED AMENDMENT 1

TIME/DATE PREPARED: October 18, 2010

COMPANY: Hualapai Valley Solar LLC

AGENDA ITEM NO. 17

DOCKET NO. L-00000NN-09-0541-00151

OPEN MEETING DATE: 10/20/10

MAYES PROPOSED AMENDMENT 1 to Sample Order No. 2

Page 2, line 7, INSERT new language to delete Condition No. 4 on the CEC issued by the Power Plant and Line Siting Committee on February 12, 2010.

Page 2, line 8, INSERT Additional Discussion and New Condition: "Though we are supportive of the formation of this CEC and the resulting Concentrating Solar Project ("CSP"), which will provide reliable renewable energy to Southwestern consumers, we are also concerned about the amount of groundwater that could be required to power the project. Although Applicant has made an effort to secure effluent from the City of Kingman, Intervenors Bensusan and Bayer have made a compelling argument in their testimony and cross examination of witnesses that Condition No. 4 in the CEC does not provide a failsafe means of ensuring that the project will use primarily effluent, rather that the project developers will make every "reasonable" effort to mitigate the use of groundwater for the project. Additionally, Condition 4 only mandates the use of effluent to the extent that it is made available by the City of Kingman and to the extent that it can be moved by the Applicant to the project location. We believe this language leaves far too much to chance. Indeed, under the existing CEC and the Applicant's own estimates, the project could use up to 3,000 acre feet of groundwater per year in an area that is known for its aridity and water scarcity. Intervenor Bensusan estimates the groundwater withdrawals could climb much higher.

However, even more compelling to the Commission is the recent trend by other states and federal agencies toward encouraging and even requiring dry or hybrid cooling technology for thermal plants. As noted in Staff's literature review, and by Intervenor Bensusan, dry cooling is a technology for thermal power plants that is currently available to energy developers, and will be used by CSP developers in both Nevada and California, where desert conditions led the project developers and regulators to choose the more environmentally sensitive cooling technology. Applicants argue that the use of dry cooling would make its project prohibitively expensive, but cite to no evidence or reason why they would be unable to construct a plant utilizing dry or hybrid cooling technology at a time when most similarly situated CSP plants that either have or

are undergoing siting review have chosen to move forward with this technology. Moreover, while the Parties' estimates of price premiums associated with dry or hybrid cooling vary, the range of price premiums associated with this technology would appear to be within 3 and 8 percent, an amount we believe is a reasonable tradeoff for the conservation of Mohave County's groundwater supplies. Additionally, we note that Applicant has not yet signed a Power Purchase Agreement with a utility, which will allow the Applicant to prospectively price the HVS energy product in a way that is inclusive of the slightly more expensive dry or hybrid cooling technology.

For the reasons cited above, the Commission adds the following new condition: The Applicant shall utilize all available effluent supplies from the City of Kingman from its Hilltop Wastewater Treatment Plant ("WWTP"), and to the degree that Applicant is unable to procure enough effluent for operation of the entire HVS project, Applicant should utilize dry or hybrid cooling technology in the construction of its facilities as a condition of receiving this CEC. The Applicant cannot operate the plant using groundwater for cooling. If the Applicant determines that not enough effluent will be available for the operation of the plant without using groundwater, it may proceed with construction of the plant using dry or hybrid cooling technology."

Make all conforming changes.