

ORIGINAL

SOUTHWESTERN
Power Group II, LLC
An Energy Company - Alliance Builder



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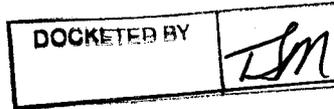
Docket No. L-00000BB-01-0118-00000

December 26, 2012

Arizona Corporation Commission
DOCKETED

DEC 27 2012

Mr. Steven M. Olea
Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007



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ARIZONA CORPORATION COMMISSION
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Subject: Bowie Power Station, L.L.C.
2012 Letter of Self-Certification
(Decision Nos. 64625, 64626, 69339, 70588 and 71951)

Dear Mr. Olea:

Pursuant to Condition No. 24 of Decision No. 64625, Condition No. 11 of Decision No. 64626, and Bowie Power Station, L.L.C. ("Bowie") submits herewith this Letter of Self-Certification ("Letter") for the year 2012.

BACKGROUND

On March 7, 2002, the Arizona Corporation Commission ("ACC") granted Bowie two Certificates of Environmental Compatibility in Decision Nos. 64625 (power plant) and 64626 (transmission project), collectively, the "CECs".

The ACC granted Bowie an extension on the terms of the CECs on February 20, 2007 in Decision No. 69339. This decision extended the terms of the CECs through December 31, 2010.

On November 1, 2010, the ACC granted Bowie a second extension on the terms of the CECs in Decision No. 71951. This decision extended the terms of the CECs through December 31, 2020.

In addition, Bowie received approval from the Commission for an amendment to Decision No. 64626 that adjusted the alignment of Bowie's interconnecting double-circuit 345 kV transmission line. The nature of this amendment is set forth in Decision No. 70588, dated November 6, 2008.

This Letter does not repeat reports of compliance with Conditions that have been performed and documented in past Letters filed with the Commission. Conditions contained in the CECs relevant to the plant and transmission line's construction and operations are similarly not addressed herein.

2012 ACTIVITY ON PRE-CONSTRUCTION CONDITIONS

Condition No. 1B of Decision No. 64625 provides that:

[Bowie will comply with] *"all applicable air quality control standards, approvals, permit conditions and requirements of the Arizona Department of Environmental Quality ("ADEQ") and/or other State of Arizona or Federal Agencies having jurisdiction..."* (Page 3).

And, Condition No. 1 of Decision No. 64626 provides that the:

"Applicant shall comply with all existing applicable air and water pollution control standards and regulation, and with all existing applicable ordinances, master plans and regulation of the State of Arizona, Cochise County and Graham County, the United States of America, and any other governmental entities having jurisdiction." (Page 3).

On December 22, 2011 Bowie requested that ADEQ place a temporary hold on processing Bowie's Air Quality Permit Application No. 51133 for the first of two 500 MW blocks until economic conditions and power load growth improves in the Desert Southwest. Due to more favorable economic conditions, on October 4, 2012 Bowie met with ADEQ to notify the Air Department of Bowie's intent to continue processing Application No. 51133. The final PSD permit is anticipated to be issued by ADEQ during 2013.

Condition No. 3 of Decision No. 64626 provides that:

“Within 45 days of securing complete easements or rights-of-way, for the entire alignment of the transmission lines hereby authorized, Applicant shall erect and thereafter maintain signs providing public notice that such easements and rights-of-way are the site of future transmission lines. Such signs shall be (i) no smaller than a standard highway information sign, and (ii) prominently placed at reasonable locations in close proximity to the proposed centerline of the transmission alignments which are accessible to the public...” (Page 4).

The Applicant continues to maintain the signs that have been placed at five sites located within the area of the centerline of the 345 kV transmission line.

Condition No. 7 of Decision No. 64625 provides that:

“Prior to construction of any facilities, Applicant must provide the Commission with technical study evidence that sufficient transmission capacity exists to accommodate the full output of the plant and that the full output of the plant shall not compromise the reliable operation of the interconnected transmission system. The technical studies shall include a power flow and stability analysis report showing the effect of the plant on the existing Arizona electric transmission system. The technical study report(s) shall document both physical flow capability as well as contractual schedule capability to deliver full plant output to its intended market.” (Pages 6-7).

Bowie’s owner, Southwestern Power Group (“SWPG”), and Tucson Electric Power (“TEP”), agreed to have an Interconnection System Impact Re-Study (“Re-Study”) performed for Bowie. An agreement for the Re-Study was entered into on November 17, 2011 and the final report was provided to SWPG by TEP on July 11, 2012. The Re-Study updated the past system impact study to include major EHV system improvements and other system elements made to TEP’s interconnected system that may not have been previously evaluated. However, no major changes to the past system impact study resulted from this Re-Study.

SWPG and TEP entered into an Interconnection Facility Studies Agreement on October 12, 2012. The Interconnection Facilities Study will provide a project description, preliminary design and engineering, cost estimate, and schedule for required facilities to interconnect Bowie's Large Generating Facility to TEP's transmission system at the proposed Willow Substation. TEP advises the Facilities Study should be completed during January 2013. Bowie will then negotiate and execute a Large Generator Interconnection Agreement ("LGIA") with TEP.

Condition No. 8 of Decision No. 64626 provides that:

"Prior to construction of any Project transmission facilities, Applicant shall provide the Commission with copies of the transmission interconnection agreement(s) it ultimately enters into with any transmission provider(s) with whom it is interconnecting within 30 days of execution of such agreement(s).

Bowie will file the LGIA executed between the Bowie and TEP within 30 days of such execution. The LGIA is expected to result from the Interconnection System Impact Re-Study and Interconnection Facilities Study discussed above and should be executed by March 31, 2013.

Condition No. 9 of Decision No. 64626 provides that the:

"Applicant shall continue to participate in good faith in State and regional transmission study forums, including the Central Arizona Transmission Study, to identify and encourage expedient implementation of transmission enhancements to reliably deliver power from the Project to the WSCC transmission grid." (Page 7).

And, Condition No. 10 of Decision No. 64625 provides that the:

"Applicant shall continue to participate in good faith in state and regional transmission study forums to identify and encourage expedient implementation of transmission enhancements, including transmission cost participation as appropriate, to reliably deliver power from the Project throughout the WSCC grid in a reliable manner." (Page 7).

And, Condition Nos. 18A and 19Da of Decision No. 69339 provides that the:

“Applicant shall participate in Arizona subregional transmission planning forums such as SWAT (Southwest Area Transmission) and SATS (Southeast Area Transmission Study) on a regular basis and participate in each Biennial Transmission Assessment performed by the Commission.” (Page 5 and 6).

Bowie continues its active involvement in regional transmission planning organizations, including WestConnect and SWAT, and SWAT’s subcommittees, particularly Central Arizona Transmission and Southeast Area Transmission subcommittees. Additionally, through its owner, SWPG, Bowie remains a Class Three Member in good standing in the Western Electricity Coordinating Council.

Condition Nos. 18B and 19Db of Decision No. 69339 provides that:

“Applicant shall document in its annual self-certification letter all steps taken in the previous year to seek a contract for capacity and energy production out of its plant. This should include participation in any and all generation adequacy or planning workshops or assessments sponsored by the Commission.” (Pages 5 and 6).

Bowie continues to discuss the need for additional base load generation for Arizona’s energy needs with the state’s load-serving entities, including participation in the commission’s transmission planning and integrated resource planning proceedings and workshops. However, due to the general downturn in the economy, the regional effects of the economic recession and the absence of any specific requests for proposal from Arizona’s load-serving entities during 2012, Bowie did not have an opportunity to formally submit any proposals.

SUMMARY

Our regional economic recession continues to be persistent, affecting residential and commercial load growth. This has delayed the forecasted commercial operation date for Bowie’s first project phase, nominally 500 megawatts of combined-cycle combustion turbine operations. Bowie will continue to monitor the economic environment and remains in regular contact with Arizona’s load-serving entities regarding their future energy and capacity needs to serve customers.

This Letter serves to certify that Bowie remains in full compliance with all applicable Conditions imposed by the Commission regarding the CECs contained in Decision Nos. 64625, 64626, and 69339.

Please direct any questions that may arise from this report to the undersigned at (602) 808-2004.

Sincerely,



**Tom C. Wray
Manager, Transmission and Generation Projects**

Cc: File

**Docket Control (13 copies)
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Lawrence V. Robertson, Jr., Esq.**