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National Rural Electric Cooperative Association

A Touchstone Energy* Cooperative 

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October 3, 2001

Chair
Council on Environmental Quality
Executive Office of the President
17th and G Streets, N.W.
Washington, DC 20503

Attn: Task Force

Dear Sir:

The National Rural Electric Cooperative Association (NRECA) is the not-for profit, national service organization representing more than 900-rural electric systems that provide electric service to 35 million customers in 46 states in 2500 of the nation's 3128 counties. Of these systems, 60 are generation and transmission cooperatives that are owned by, and serve, 685 of 870 distribution systems. NRECA provides these comments on behalf of its member systems.

Executive Order 13212 established the Task Force to address impediments to federal agencies' completion of decisions about energy-related projects in a way that will increase the production, transmission, and conservation of energy. NRECA believes that the definition of energy-related projects needs to be expanded to include electric distribution lines, as well as fuel procurement permitting such as coal mining. The *Federal Register* notice appears to limit energy-related projects to generation and transmission.

In implementing the President's Executive Order, the Task Force should not only identify process impediments to the issuance of federal, state and local permits for energy-related problems, but should also identify permanent solutions for the resolution of these impediments.

NRECA believes that in many instances, a complete cultural change is needed at federal, state and local agencies that are used to doing business-as-usual. We believe that the Task Force should employ a full range of mechanisms that provide incentives and ensure permanent cultural changes necessary to expedite energy-related permitting. Such mechanisms could include transparency of the process, publicity on delays or successful implementation, peer pressure, individual and agency accountability, incentives and disincentives related to career advancement and compensation.

NRECA members have been adversely affected by various permitting and regulatory impediments on a wide variety of energy-related projects. There are a number of specific concerns, however, that NRECA would like to bring to your attention. One is the New Source Review process administered by the Environmental Protection Agency. EPA redefined the licensing requirements necessary for routine maintenance, thereby creating great uncertainty for source owners. This resulted in delays in upgrading capacity, improving efficiency, and even, in reducing power plant emissions. Although the industry and EPA are working on this problem, a resolution is not expected any time soon. As a result, many of our members have delayed projects that they otherwise would implement to improve operations and efficiency but for NSR-related concerns.

Another area of concern is the Clean Water Act section 316(b) regulatory requirements for cooling systems at power plants. Utilities that are constructing power plants want to use the most efficient systems possible consistent with environmental requirements. They cannot afford, however, to halt the design process and incur lengthy delays because of a lengthy and uncertain permitting process. Hence, many utilities install cooling systems that are environmentally conservative but are more expensive and less efficient to operate.

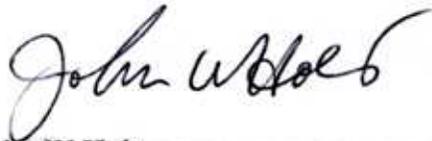
One other example is the EPA Title V permitting process. This program was developed to bring the many federal permits under one umbrella. This was intended to make the process simpler and more efficient. As implemented by EPA and the states, however, the program is the subject of much controversy and sometimes results in additional requirements imposed on the applicant, which are inconsistent with the original intent of the program.

NRECA wishes to stress that improvements to these mechanisms, however, should in no way interfere with regulatory requirements related to safety, health or the environment. Rather, they should relate to applying specific regulatory actions in a more efficient manner.

A major source of funding for energy-related projects constructed by rural electric cooperatives is the Rural Utilities Service, an agency in the Department of Agriculture. This agency is struggling, with a small staff, to keep up with the demands for additional generation, transmission and distribution loans. NRECA is working directly with our members and the RUS staff to modify, delete and simplify the RUS regulations and loan

procedures while still maintaining the government's security for the loan. RUS recently implemented a "fast track" front-end financing procedure that permits generating cooperatives quicker access to construction financing prior to receiving long-term government financing for certain energy projects. Other government agencies should look at their regulatory and permitting process for similar innovations.

NRECA appreciates the opportunity to contribute and comment on this initiative.

A handwritten signature in cursive script that reads "John W. Holt". The signature is written in dark ink and is positioned above the printed name and title.

John W Holt
Manager, Generation and Fuels
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