



Virginia Stephens
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To: Andrea Sarzynski/WHO/EOP@EOP
cc:
Subject: CEQ-Energy Task Force Comments1

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rmhaysli@srpnet.com
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To: Edward A. Boling Energy Task Force/CEQ/EOP@EOP
cc:
Subject: CEQ-Energy Task Force Comments1



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P.O. Box 52025
Phoenix, AZ 85072-2025

Environmental, Land and Risk Management
Mail Stop: PAB351
Voice Line: 602/236-6699
Fax Line: 602/236-6690
E-Mail: rmhaysli@srpnet.com

October 4, 2001

VIA EMAIL: energytaskforce@ceq.eop.gov

Chair
Council on Environmental Quality
Executive Office of the President
17th and G Streets, NW
Washington, D.C. 20503

RE: Interagency Task Force on Energy-Related Projects,
CEQ Request for Comments Dated August 20, 2001

Dear Chair:

In response to the Council on Environmental Quality (CEQ)'s request for comments on the scope of the Interagency Task Force, and for specific examples of energy related projects, the Salt River Project (SRP) respectfully submits the attached comments. The attached comments provide specific overviews of three of SRP's planned energy projects with in-service dates through 2006, a general overview pertaining to past energy projects, and specific suggestions for streamlining the federal review processes.

SRP is the nation's third-largest public power utility providing power to customers throughout a 2,900-square-mile service territory in central Arizona. SRP serves more than 750,000 residential, business and industrial customers with electric power and operates or participates in seven major power plants and numerous other generating stations in four states. These plants have generating capacity of more than 5,000 megawatts.

The current generating capacity and transmission system must be expanded to meet the growing electric needs of the Phoenix metropolitan area – one of the nation's fastest growing areas. SRP is planning several generation and transmission line projects to meet this increased energy demand of Central Arizona. The development and implementation of the projects would directly benefit from improvements to the myriad and complex permitting and approval processes involved in constructing such projects.



Currently, many federal, tribal, state and local agencies participate in siting transmission lines and permitting electric generating stations. Processing delays, inconsistent procedures and standards, redundant public participation forums and understaffed agencies adversely affect the cost and timeliness of energy projects. SRP supports the goal of President Bush's energy policy and the Interagency Task Force to expedite review of energy projects.

If you have would like any additional information, please contact me at (602) 236-6699, or at rmhaysli@srpnet.com.

Sincerely,

Richard M. Hayslip
Manager

Attachment

Project 1: Southwest Valley Transmission Project

Entity proposing the project:

Salt River Project (SRP) and Arizona Public Service (APS)

Category of the project:

Electricity Transmission

Brief description of the project:

The Southwest Valley Transmission Project is a 36-mile, 500kV transmission line connecting the Palo Verde generating station with a new 500kV and 230kV station in the southwest valley of the Phoenix metropolitan area. SRP and APS submitted an application for a Certificate of Environmental Compatibility (CEC) to the Arizona Power Plant and Transmission Line Siting Committee (APPTLSC) in June 2001. The APPTLSC must issue a CEC before transmission lines 115kV and above, and generation plants 50 MW and above can be constructed. The Arizona Corporation Commission must ratify the decision. The expected in-service date is June 2003.

The facilities SRP is attempting to site include the 36-mile transmission line, the 500kV and 230kV station, and the necessary interconnections to the 230kV system that will connect the station to the existing 230kV system to serve customer load. SRP also plans to loop the existing Palo Verde - Kyrene 500kV line into the future station.

Agency or agencies that must be consulted and from which approval is needed:

Federal: Bureau of Land Management; Fish and Wildlife Service; Corps of Engineers

State: Arizona Corporation Commission

Local: Various cities and towns; Maricopa County Department of Environmental Services

Reason for bringing the project to the task force's attention:

- **Endangered Species Act:** The ferruginous pygmy owl is listed as an endangered species in Arizona. SRP's original proposed route for the transmission line was not within the designated critical habitat for the owl. However, it has become a common practice by federal agencies to treat vast marginal areas just as though they were critical habitat. In this case the Bureau of Land Management (BLM) is deferring to the US Fish and Wildlife Service (FWS) by requiring an elaborate survey for the owl. This was done in spite of the fact that the owl has not been found in this area for at least 20 years, the area is very marginal as even potential owl habitat, and in spite of the fact that a major freeway, a high-pressure gas line, an existing 500 kV transmission line and a hydropower facility are already in this owl "habitat." To make matters worse, the FWS survey protocol for this owl requires two consecutive years of these elaborate surveys. BLM's request created an unacceptable impact on the timing and cost of the transmission project. As an alternative to the extended protocol evaluation, SRP proposed to mitigate any impact on the habitat if any concerns materialized. SRP's proposal was rejected. To avoid the unacceptable delay, SRP chose to acquire private land for the route rather than cross BLM land, but this route is significantly more controversial than construction on public land. The route is more controversial because SRP might need to exercise its power of eminent domain. The BLM's request effectively eliminated alternatives from the state's certification

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process and significantly restricted SRP's transmission planning process. Endangered species survey requirements that extend beyond one year are a tremendous drag on energy projects, slowing them down and increasing costs. We suggest that federal agencies be allowed to require data from only one year of biological surveys in the initial permitting process. This could be extended to include a second year only when the first year of surveys finds credible evidence of the species in question

- **Inadequate Resources:** The resources allocated for staffing support are insufficient causing delays and schedule adjustments. SRP suggests that agencies involved in the transmission siting process adopt an expedited option for reviewing applications, similar to air quality permit review processes. The expedited option allows parties that are willing to pay increased fees the opportunity to avail themselves of a more efficient process. The option, and the increased fees, also allows agencies to hire contractors and shift some of the workload.
- **Awareness of Siting and Construction Timeline:** Siting a transmission line takes 50% longer than actual construction of the line. In general, the siting process, including both the federal and state processes, takes approximately three years; as compared to an average two-year time frame for construction.

Suggestions for improving federal agency(s)' process:

- **Federal Transmission and Generation Oversight Committee:** SRP believes that the creation of an independent federal committee responsible for coordinating and streamlining all aspects of the electric transmission line and generation plant federal siting process could result in an improved process. Such a committee should be the single contact for applications for transmission line and generation plant siting that trigger federal requirements. The committee would ensure implementation of the most consistent solutions to transmission and power shortages while balancing the interest of the various federal agencies.
- **Integrated Public Process:** The transmission line siting and the environmental permitting processes require various public participation forums. Both processes mandate public comment and public involvement at the state and federal level. Separate public processes can be redundant and time-consuming. Adopting a joint public process can increase the efficiency of the process and lead to more tailored and effective public involvement.
- **Alignment of State and Federal Agencies:** Federal agencies can and do sometimes ignore results of state process. More deference should be given to prior state siting processes that addressed federal concerns.

Project 2: Central Arizona Transmission System (CATS)

Entity proposing the project:

Salt River Project

Category of the project:

Electricity Transmission

Brief description of the project:

SRP's proposal to construct CATS, a 90 -150-mile long, 500-kV transmission line, is part of the overall transmission plan for central Arizona. CATS is a comprehensive proposal that includes a 500-kv transmission line from Hassayampa to a new 500kV and 230 kV substation in SRP's far southeast service area (northern Pinal County area). SRP will also open up the existing Silver King substation to Browning 500 kV line and site a route into and out of the new station. Also, new double circuit 230 kV line will be routed from the new station into the existing Browning substation. CATS is the product of a cooperative regional study conducted by several of Arizona's electric utilities, the Arizona Corporation Commission and several energy merchants and marketers to address the rapid commercial and residential growth in Phoenix and Tucson. The project is expected to be completed by 2006.

Agency or agencies that must be consulted and from which approval is needed:

Federal: Bureau of Land Management; Fish and Wildlife Service; Forest Service; National Park Service; Bureau of Indian Affairs; Corps of Engineers
Tribal: Gila River Indian Reservation
State: Arizona Corporation Commission
Local: Various cities and towns; Maricopa County Department of Environmental Services

Reason for bringing the project to the task force's attention:

- **Designation of the Sonoran Desert National Monument:** In January 2001, former President Bill Clinton established the Sonoran Desert National Monument in southeastern Arizona. In the 1980's, the Arizona Corporation Commission certified a transmission line route, otherwise known as a utility corridor, in south central Arizona. This utility corridor borders or is in close proximity to the recently established National Monument; however, the monument declaration failed to recognize the utility corridor within the designation. The consequence of failing to incorporate the state certificate utility corridor in the monument is that the Federal Land Policy and Management Act (FLPMA) re-instatement process must be triggered to use the corridor. The FLPMA process could take four years or more, which is not feasible for the CATS project; therefore, one of the otherwise viable routes cannot be considered.
- **NEPA Requirements for Property that Spans Several Jurisdictions:** The CATS transmission system traverses federal land, tribal land and private property. Some jurisdictions comprehensively invoke NEPA for an entire project, rather than limiting NEPA's application to aspects of a project that trigger federal requirements. NEPA only applies to projects where federal involvement exists (federal funds, federal land or federal agency approval); therefore, the section of the transmission line located on private property should not be subject to NEPA requirements. Limiting NEPA's

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application in this way saves resources and minimizes delays, and still complies with the law's requirements.

- **Endangered Species Act:** Similar concerns as discussed for Project 1.
- **Inadequate Resources:** Refer to discussion for Project 1.
- **Siting and Construction Timeline:** Refer to discussion for Project 1.

Suggestions you have for improving federal agency(s)' process:

- Refer to recommendations for Project 1.

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Project 3: Santan Expansion Project (SEP)

Entity proposing the project:

Salt River Project

Category of the project:

Electricity Generation

Brief description of the project:

The SEP, located in the Phoenix metropolitan area's southeast valley, will consist of an 825-megawatt, natural gas combined-cycle generating facility. The plant is strategically located to efficiently meet customer demand and will provide reliable electricity for up to 200,000 homes. The SEP is designed to achieve the lowest emission rate proven in practice and will provide a net air quality benefit to the Valley airshed due to emission offsets. The Arizona Corporation Commission approved the Certificate of Environmental Capability for SEP in April 2001 and the expected in-service date is Spring 2005.

Agency or agencies that must be consulted and from which approval is needed:

- Federal: Bureau of Reclamation; Federal Energy Regulatory Commission; Environmental Protection Agency; Corps of Engineers; Bureau of Land Management; Bureau of Indian Affairs; Forest Service
- Tribal: Gila River Indian Reservation
- State: Arizona Corporation Commission; Arizona Department of Environmental Quality
- Local: Various cities and towns; Maricopa County Department of Environmental Services

Reason for bringing the project to the task force's attention:

- **Consistent Interpretation of Air Quality Permitting Requirements:** In most states, regulatory authority for the New Source Review program and Title V permitting has been delegated to state or county agencies. The U.S. Environmental Protection Agency (EPA) still retains approval authority of all state or county permitting decisions. In past permitting actions involving SRP power plants, the lack of consistent regulatory or policy interpretation among the federal and local agencies has caused confusion, delay and potentially, the unnecessary expenditures of funds to satisfy conflicting regulatory interpretations. Because SEP is located in a non-attainment area, SRP must offset increased emissions. SRP has been involved in working with local industries in securing offsets. In one instance, SRP signed an agreement to purchase VOC emission credits that were approved by the County. The County sent a letter to the industrial owner certifying the quantity of emission credits. Upon submittal of the Air Permit Application for SEP, SRP was to have paid the industrial facility for the credits. Recognizing that EPA still retained final approval authority for the SEP air permit, including all the offset sources, SRP asked for early EPA review of the VOC emission credits. EPA's review normally takes place during final approval of the Air Quality Permit, which in this case would have occurred in late 2002. EPA disagreed with the County's decision and approved a substantially smaller quantity of VOC credits. The County and EPA have disagreed on other Non-Attainment New Source Review regulatory interpretations involving SRP plants which have caused delay and legal expense in resolving the issues. .

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- **Applicability of the National Environmental Policy Act (NEPA) in States Which Don't Have Primacy for the National Pollutant Discharge Elimination System (NPDES) Program:** Arizona is one of the few states that does not have primacy for the NPDES program. The federal NPDES regulations contain a provision that requires new source permits issued by EPA to undergo review under NEPA; apparently the issuance of a new source NPDES permit by EPA is considered a major federal undertaking. This is not a requirement for new sources located in states that have NPDES primacy, nor did EPA make this a requirement when approving the states' NPDES rules. This regulation puts an unfair burden on new sources located in states that don't have NPDES primacy. NEPA review of a new power plant can cost up to \$1 million dollars and take three years. New power plants are permitted under federal and state air and water programs to ensure they do not impact human health and the environment. Many parts of a NEPA review are redundant to the analyses that are required under the air and water programs. An administrative action by a federal agency rather than a state agency should hardly be the basis for triggering a costly and timely NEPA process.
- **Consistent Guidance and Interpretation by Federal Land Managers (FLM):** Major new and modified sources proposed to be located within 50 km of Class 1 areas must evaluate the visibility impacts and other environmental attributes. There is no concise guidance or standard on how to perform the visibility analysis and assess environmental related values, or how the FLM will judge the merits of the analysis. In fact, the FLM has great discretion on how to judge the acceptability of new projects within 50 miles of Class 1 areas. This adds considerable time to the permitting process, in preparing the environmental study protocols and in obtaining FLM approval.
- **Positive Experience Permitting the SRP Kyrene Expansion Project:** SRP recently obtained approval for a 250-MW expansion at the Kyrene Generating Station. EPA Region IX efficiently reviewed the county air permit and completed the NEPA process in a shorter time frame than has been usual for similar projects. Region IX reviewed the county air quality permit within a week and progressed through the NEPA environmental assessment review of KEP and issued a finding of no significant impact within 6.5 months. This efficiency and responsiveness should be the standard for all the involved agencies when reviewing and / or approving electric generating and transmission projects.

Suggestions you have for improving federal agency(s)' process:

- Develop specific regulations and technical guidance on how to assess visibility and air quality related values in Class 1 areas.

II: Maintaining and Expanding Existing Transmission Projects

Responsible Entity:

Salt River Project

Category of the project:

Electricity Transmission

Brief description of the project:

To avoid utilizing new transmission routes, SRP actively maintains its transmission lines, and often expands the current transmission system by installing higher voltage transmission lines on existing poles in existing corridors.

Agency or agencies that must be consulted and from which approval is needed:

Federal: Environmental Protection Agency; Bureau of Land Management; Forest Service; Bureau of Indian Affairs; Bureau of Reclamation; Park Service, Federal Aviation Administration
Tribal: Various tribes
Local: Various cities and towns; Maricopa County Department of Environmental Services

Reason for bringing the project to the task force's attention:

- Endangered Species Act and National Historic Preservation Act: In general, these statutes fail to establish timeframes for federal agency response in many of the steps of the required consultation processes. As a result, the agencies fail to review proposals in a timely manner, which delays maintenance and expansion projects.
- Inconsistent Federal and Tribal Policies: Transmission lines cross various jurisdictional and political boundaries; however, federal agencies and tribal authorities often adopt conflicting policies on implementing environmental statutes and reviewing permitting applications.

Suggestions you have for improving federal agency(s)' process:

- Mandate specific limits for each agency's review process and prioritize energy-related projects above other projects.
- Minimize the number of agencies and authorities involved in the permitting and approval process and eliminate redundant reviews. Refer to suggestions for Project 1.
- Much of Federal law was enacted to prevent the Federal government from impacting the environment. This was extended to undertakings by private industry that needed Federal involvement to some degree. A relaxation of classifying what projects should be considered Federal undertakings would lessen the workload and allow the larger projects that have a potentially significant impact to go through the system more expeditiously, while at the same time ensuring thorough review.