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**Record of Decision; Proposed Conservation/Modernization (Con/Mod) Program; Direct Service Industry Options Environmental Impact Statement (EIS)**

**AGENCY:** Bonneville Power Administration (BPA), DOE.

**ACTION:** Aluminum Smelter Conservation/Modernization Program Offering.

**SUMMARY:**

**Decision**

The Bonneville Power Administration has decided to offer the Con/Mod option analyzed in the Final EIS (DOE/EIS-0123F) and the *DSI Options Study* (Options Study, DOE/BP-475 and 477) that provides a 5 mills per kilowatt-hour (/kWh) incentive to all the region's aluminum smelters for electric energy efficiency improvements resulting from plant modernization.

**Decision Factors**

BPA considered several factors before the decision was made to offer the Con/Mod program. The decision factors included: (1) Legal requirements; (2) stabilization of BPA revenues and loads; (3) economic effects on other BPA customers; (4) equity for all aluminum plants in the region; and (5) socioeconomic and physical environmental impacts.

**Alternatives**

**Con/Mod**

Con/Mod consist of onsite modifications and retrofits to improve the production efficiency of aluminum smelters.

BPA studied three levels of Con/Mod incentive in the Final EIS: 3, 5, and 10 mills/kWh of energy saved. In addition, three approaches were considered for how BPA should offer a Con/Mod program: (1) A pilot program whereby only one or two of the total ten smelters in the region would participate, based on a competitive solicitation (the pilot program would be expanded at a later time to include the remaining smelters); (2) a targeted program whereby the oldest, least efficient smelters would be targeted for BPA financial support to modernize; and (3) a program offered-to-

all aluminum smelters in the region on a non-competitive basis.

Other program features of the proposed Con/Mod program were discussed in the program development process, such as program duration and term of payment, but these features are not anticipated to affect physical environmental impacts. A no-action alternative was also considered.

**No Action**

BPA would not offer Con/Mod to the aluminum industry, but rather rely on the smelters to modernize solely on their own.

**Environmentally Preferred Alternative**

The Con/Mod program, in combination with the variable rate which was recently implemented (Variable Industrial Power Rate Record of Decision, 51 FR 23811), is the environmentally preferred alternative. Together they offer an improved atmosphere for aluminum companies to make long-term decisions related to operation and facility upgrades. Those decisions will be based on electricity costs that are relatively responsive to aluminum market conditions and a fixed incentive offered for energy saved through plant modernization.

**Rationale**

Based on the Final EIS, BPA determined that the socioeconomic factors outweigh any environmental impacts that may result from actual physical modifications and process changes used to effect Con/Mod at Northwest aluminum smelters. Any environmental impacts from a combination of the proposed Con/Mod with the variable rate would also be outweighed by the socioeconomic benefits, particularly the resulting continued employment in the region.

**Mitigation**

Adverse environmental impacts are not likely to result from BPA's proposed Con/Mod program or cumulatively from the Con/Mod program with the variable rate. Specific environmental mitigation measures for the Con/Mod program are not needed and none are proposed.

**Monitoring**

BPA does not plan to monitor environmental effects of the proposed Con/Mod initiative. The aluminum companies are required to monitor their environmental performance and make periodic reports to the environmental regulatory agencies that have jurisdiction in their respective geographic locations.

**FOR FURTHER INFORMATION CONTACT:**

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**SUPPLEMENTARY INFORMATION:**

**Background**

The BPA has been considering three options to help stabilize the aluminum Direct Service Industries' (DSI) loads, thereby maintaining and possibly enhancing BPA's revenues. These aluminum smelters purchase power directly from BPA. Collectively, they are facing an economic downturn in the current metals market and competition worldwide from newer, more efficient plants. Two smelters in the region already have closed and others are operating well below production capacity levels.

From a legal standpoint, the decision to make the Con/Mod program available to the region's smelters is authorized by sections 2(1)(A) and 6 of the Pacific Northwest Electric Power Planning and Conservation Act of 1980 (Northwest Power Act), 16 U.S.C. 839(1)(A), 839d; section 11(b) of the Federal Columbia River Transmission System Act, 16 U.S.C. 838i(b); section 2(f) of the Bonneville Project Act, 16 U.S.C. 832a(f) [as affirmed in Section 9(a) of the Northwest Power Act, 16 U.S.C. 839f(a)]; and other laws.

BPA completed the *Final Environmental Impact Statement, Direct Service Industry Options* in April 1986. In the Final EIS, BPA analyzed the potential environmental impacts of no action and alternatives for each of three options identified in the BPA publication entitled *DSI Options Study, Final Report*, Parts 1 and 2, June 1985 (DOE/BP-475 and 477). The three options identified were: (1) A variable rate to the aluminum smelter DSI's based on market prices for aluminum; (2) a conservation/modernization program incentive to encourage the aluminum smelter DSI's to modernize; and (3) a rate "link" between rates charged BPA's preference customers and those charged the DSI customers (the IP-PF rate link).

The major effects examined in the Final EIS included aluminum smelter operations, resource operations and development, and environmental and socioeconomic impacts.

The three options, or actions, are not alternatives to each other since each could be implemented independently. One of the options considered, the variable rate, has already been offered by BPA and accepted by the region's

primary aluminum smelters. This occurred only after completion of the Final EIS and the Variable Industrial Power Rate Record of Decision (ROD).

This ROD pertains only to the Con/Mod program for aluminum smelters and does not resolve issues relating to the proposed IP-PF rate link, which still is under consideration by BPA. In arriving at its decision on the Con/Mod program, BPA considered potential impacts identified in the Final EIS of implementing such a program, as well as potential cumulative impacts associated with implementing a Con/Mod program in combination with the recently adopted variable rate.

#### Decision

BPA has decided to make an Aluminum Smelter Conservation/Modernization Program available to the region's primary aluminum smelters.

The Con/Mod program will provide 5 mills/kWh for energy saved by the aluminum companies through electric energy efficiency improvements. BPA will provide 10-year payment terms in return for a reduction in each participating company's contract demand (i.e., the maximum power entitlement provided to a Direct Service Industry by BPA). The contract demand reduction will provide energy to the region when BPA determines it is needed.

The program will be offered to all the primary aluminum smelters located in the BPA service area. The program will be available to the aluminum smelters through the term of the Power Sales Contracts with the DSI's.

The Con/Mod program is designed to support additional capital investments by the aluminum companies to modernize the region's primary aluminum smelters, thereby helping to stabilize BPA's system loads and power sales revenues.

For as long as it operates, the program proposed by BPA will make available assistance to the Northwest aluminum industry as a whole. Business decisions on the part of the companies will determine program participation. Participation by companies will benefit BPA, the aluminum industry, and the region by providing for more stable BPA loads and revenues in the short term. In the long term, the energy conservation acquired from the smelters will provide additional power to the region when it is needed.

#### Alternatives

The following alternatives were analyzed in reaching the decision to offer the Con/Mod Program:

**A. No-Action Alternative.** Under the no-action alternative, an aluminum smelter conservation/modernization program would not be offered. The no-action alternative described in the Final EIS assumed continuation of the rate provisions previously in effect for DSI power sales (prior to the recent offering of the variable rate). That is, it assumed continuation of rate design features in the industrial firm power (IP-85) rate schedule. However, the level of the rate was presumed to change over time, as dictated by BPA costs and revenues computed by the BPA Decision Analysis Model (DAM). Among the features of the no-action alternative defined in the IP-85 rate schedule is the provision for offering an incentive rate when BPA revenues would be increased by doing so.

Subsequent to the completion of the Final EIS (DOE/EIS-0123F), BPA implemented the variable rate for the region's primary aluminum smelters. Hence, the "no-action" alternative now includes the variable rate.

**B. Conservation/Modernization (Con/Mod) Program Alternative.** Under the Con/Mod Alternative, BPA would offer an incentive to the aluminum smelters to make outside modifications and retrofits to improve their production efficiency.

1. BPA studied three Con/Mod incentive levels in the Final EIS:
  - a. A 3 mills/kWh saved incentive;
  - b. A 5 mills/kWh saved incentive; and
  - c. A 10 mills/kWh saved incentive.
2. In addition, BPA considered three approaches related to how BPA would offer a Con/Mod program:
  - a. A pilot program whereby only one or two of the total ten smelters in the region would participate based on a competitive solicitation. The pilot program would be expanded at a later time to include the remaining smelters;
  - b. A targeted program whereby the oldest, least efficient smelters would be targeted for BPA financial support to modernize; and
  - c. A program offered to all the aluminum smelters in the region on a non-competitive basis.

#### Rationale

BPA based its decision on five major factors. Those factors and the role each played in the decision are described below.

**A. Legal Requirements.** The Northwest Power Act places a priority on conservation resources. One of the purposes of the Act is to encourage conservation and efficiency in the use of electric power. The Administrator is also authorized to encourage the widest possible use of electric power at the lowest possible rates consistent with

sound business principles and to make expenditures to carry out his duties. Modernization of the aluminum smelters is intended to improve the efficiency in the use of electric power in the aluminum production process. The resulting stabilization of the DSI load and maintenance of BPA revenues through the near term actions encouraged by Con/Mod, together with conservation through future load reduction, meet the Administrator's statutory obligations and objectives.

The no-action alternative does not meet the statutory obligations and objectives.

**B. Stabilization of BPA Revenues and Loads.** In recent years, the amount of aluminum smelter power purchases from BPA has fluctuated dramatically from year to year. The changing power demand has resulted in uncertainty about how much load BPA should plan to meet and the amount of resources to acquire, resulting in additional uncertainty about predicate rates. Lower levels of operation at Northwest aluminum smelters also have contributed to weakness and instability in the region's economy as a whole. Short-term attempts to alleviate these problems have been only partially successful. Of the ten aluminum smelters located in the Pacific Northwest, two are now closed. Collectively, when all the region's smelters are operating at historical capacity levels, they provide 25 percent of BPA's revenues through power purchases and account for 30 percent of BPA's total system loads.

BPA desires to stabilize the DSI aluminum smelter loads in order to gain more certainty related to load forecasting, planning, and revenues. Forecasting stable revenues would enhance BPA's ability to make the necessary payments to the U.S. Treasury and would stabilize rates to other BPA customers.

The short-term objective of the Con/Mod initiative is to stabilize BPA loads and revenues through modernization of the region's energy-intensive aluminum industry. The long-term objective is to acquire conservation from efficiency improvements that result from modernization of the smelters.

**No-Action Alternative:** The no-action alternative, which represented the status quo prior to the offering of the variable rate, did not meet the need for stabilizing the region's aluminum smelters. Even with the variable rate, the no-action alternative does not meet the objective of modernizing the region's aluminum smelters. Under no-action, BPA presumably would offer DSI

incentive rates on a short-term basis (DOE/EIS-0123F, p. 12). However, these periodic incentive rate offerings have been only partially successful in stabilizing DSI loads in recent years. Furthermore, the variable rate alone does not provide incentives specifically for smelter modernization that the aluminum companies need to influence their long-term smelter operating decisions.

*The Con/Mod Alternative:* The Con/Mod alternative, in combination with the variable rate, offers the likelihood of the highest production levels at operating smelters (DOE/EIS-0123F, pp. 90-102). Therefore, this alternative presents a greater potential for BPA revenue stability.

*C. Avoidance of Adverse Economic Effects to Other BPA Customers.* One of the design principles for a Con/Mod program identified in the *DSI Options Study* is that other BPA ratepayer classes should not be expected to pay for a program that would primarily benefit only the aluminum DSIs.

*No-Action Alternative:* Under the no-action alternative, additional aluminum smelter closures would be more likely. In this event, BPA's other customer classes would experience any wholesale rate increases necessary for BPA to meet its payment obligations to the U.S. Treasury.

Additionally, operating levels of some energy-intensive industries purchasing power from retail utilities could be adversely affected if lost revenues to BPA from aluminum plant closures or reduced operations ultimately result in significant rate increases at the retail level. Decreased operating levels for retail industrial consumers could result in additional layoffs.

Finally, wholesale rate increases resulting from aluminum plant closures could discourage some new industries from locating in the Pacific Northwest. This would be more of a factor for those electrical energy-intensive industries from whom rate level and long-term rate stability are important.

*Con/Mod Alternative:* A Con/Mod incentive in combination with the variable rate probably would result in a higher average level of aluminum production by the region's smelters than would the variable rate alone. A higher average operating level would help to stabilize BPA revenues required to maintain BPA's payments to the U.S. Treasury.

The Con/Mod Alternative would also "secure" or "include" the right for BPA to reduce a participating aluminum company's contract demand (maximum power entitlement provided by BPA) in return for BPA's financial support of

plant modernization. A reduction in a company's contract demand would create a benefit to other ratepayers by providing additional power to the region when it is needed, therefore eliminating some of the high cost of new generating resources.

Finally, encouraging continued smelter operations results in continued employment of aluminum workers which has a significant socioeconomic benefit to the region as a whole.

*D. Equity for All Aluminum Plants in the Region.*

*No-Action Alternative:* Under the no-action alternative, there would be no Con/Mod offering to any of the region's aluminum smelters. Therefore, it could be concluded that the results would not favor one or more smelter(s) over the others.

*Con/Mod Alternative:* Three approaches to offering Con/Mod to the region's aluminum smelters were evaluated during the design process: (1) a pilot program, (2) a targeted program, and (3) offering Con/Mod to all the region's smelters. However, a guiding principle in the design of the Con/Mod program was to ensure that the program would not unfairly advantage one aluminum smelter over another.

*1. Pilot Program.* In a pilot program, BPA would select one or two facilities as a test of the program and its features. Results of that test would lead to program modifications and a decision whether to extend the offer.

BPA maintains that the *modernization* objective would not be met by a pilot activity. That is, a pilot program would not be sufficient to stabilize the region's aluminum industry by only offering incentives to one or two of the smelters. The *conservation* objective could be met by pilot activity, followed later by a nationwide program available in the early 1990s. However, a pilot program could unfairly advantage one or two aluminum smelters in the region.

*2. Targeted Program.* In a targeted program, BPA would select only the least efficient facilities and provide funds for ungrades. Analysis identified a targeted program as potentially more effective in facilitating upgrades in the plants that are most threatened by the current state of their economies of production. However, this approach was not pursued because: (a) A targeted program is not sufficiently sensitive to the competitive positions of the Northwest plants with one another; (b) determination of effective reimbursement levels and selection of the facilities under a targeted program would be a lengthy and difficult process (undermining the short-term stabilization objective of the program);

and (c) a targeted program would put BPA in the position of making business decisions for some of the region's smelters.

*3. Program Offering-to-All Smelters.* This approach offers the Con/Mod program to all of the region's aluminum smelters on a non-competitive basis.

The aluminum industry is highly competitive. BPA is concerned that limiting program eligibility to certain smelters could result in creating a competitive advantage for one plant over another. Offering the program to all smelters is more conducive to the near term goal of stabilizing the aluminum industry in the region as a whole, thereby maintaining BPA revenues and system loads.

*E. Socioeconomic and Environmental Impacts.*

*No-Action Alternative:* Computer modeling results for the no-action alternative predict average probabilities of operating for each of the region's aluminum smelters. Some plants have a quite high probability of remaining in operation according to the model (e.g., Intalco and Alcoa Wenatchee) while others have a relatively low probability of continuing operation. Those in the latter class are Reynolds at Troutdale; Alcoa at Vancouver (closed in June 1986); and Kaiser at Mead. (All model results for the Alcoa smelter at Wenatchee were for the portion of the plant served only by BPA.)

The employment impacts of smelter closures or reduced operation would tend to be concentrated in immediate areas surrounding the affected aluminum plants. However, there would be some residual effects on regional employment. Certain regional businesses that supply goods and services to the aluminum smelters would face a reduction in demand for their products, thus potentially resulting in employee layoffs.

Closure or reduced operation of some or all of the aluminum smelters could also result in a significant loss of revenues to BPA. The magnitude of the revenue reduction would depend on BPA's ability to market the displaced power at rate levels greater than or equivalent to those paid by the DSI's. A significant revenue reduction would require an overall wholesale power rate increase in order for BPA to recover its costs and continue timely payments to the U.S. Treasury. An overall rate increase would increase costs to the remaining DSI's and to utilities purchasing wholesale power from BPA. Therefore, closure or reduced operation of some aluminum smelters could ultimately have impacts on retail

industrial, commercial, and residential consumers.

Closure of an aluminum smelter would reduce the amount of air pollutants emitted into an airshed. Presumably, this would increase the opportunities for other industrial development in an area under prevention of significant deterioration (PSD) rules, although the actual occurrence of such development would be dependent on many other site-specific factors. At a number of the sites, PSD rules are not currently a significant constraint to moderate industrial development. Implementing a proposal or alternative which would keep an aluminum plant open would basically maintain the status quo with respect to opportunities for other industrial development under PSD rules.

The no-action alternative may be viewed as having no environmental impact in itself because the status quo environmental effects would continue as long as the plants continue to operate. However, with no action by BPA, additional plant closures could result in a future different from a simple extension of the current situation.

*Con/Mod Alternative:* BPA modeled the likely outcome of three Con/Mod incentive levels. To test the sensitivity of the effectiveness of a Con/Mod program, studies were made at long-run aluminum prices of both 65 cents per pound (¢/lb.) and 70¢/lb. The lower assumed long-run aluminum price (65¢/lb.) results in similar trends in employment and smelter operations to those at 70¢/lb.

Cumulative impacts on Northwest aluminum industry employment of the combination of a Con/Mod program offered equitably to all smelters is dependent on the level of Con/Mod incentive provided. With a moderate (3 to 5 mills per kilowatthour) incentive, the impacts are little different than with the variable rate alone. With a high (10 mills per kilowatthour) incentive, substantial gains in Northwest aluminum industry employment are likely (DOE/EIS-0123F, p. 118).

At 3 mills/kWh and a long-run aluminum price of 70¢/lb., increases in probability of operation are slight or non-existent for all smelters. Aluminum smelter impacts are, therefore, essentially the same as for the no-action alternative. Con/Mod, to the limited extent it may occur, is not expected to change smelter operational impacts substantially (DOE/EIS-0123F, p. 105). There could be some minor smelter employment impacts since one of the objectives of a Con/Mod measure is likely to be a reduction in labor costs as well as power costs. This is not shown,

however, by the smelter employment results from the model which shows an overall near-term reduction of less than 1 percent and long-term gains of also less than 1 percent (DOE/EIS-0123F, p. 105).

When funding levels are increased to 5 mills/kWh with a long-run aluminum price of 70¢/lb., some increases in operation might occur at a number of plants, but no particular plant characteristic seems to trigger such an increase. The increase is as great as 8 percent for Columbia Falls in Fiscal Year 1997-2000, but is more typically 1 or 2 percent for most plants in most periods. Environmental impacts from smelter operations of this alternative are a little greater than for the 3 mills/kWh incentive alternative. Smelter employment impacts are projected as a negligible decrease in the near-term, and increases of less than 5 percent in the later periods, on average (DOE/EIS-0123F, p. 105).

BPA's analysis concluded that limiting the Con/Mod incentive to 5 mills/kWh saved will also produce a "win-win" result by protecting other ratepayer classes from higher wholesale rates due to a program offering.

At a 10 mills/kWh Con/Mod incentive and a long-run aluminum price of 70¢/lb., all the plants are projected to increase their probability of operating over the no-action alternative. Some plants improve by over 10 percent in some periods. Generally, the more efficient, lower cost smelters show smaller improvements than the higher cost plants and improvements are greater in the later periods, probably because the aluminum price in the model trends higher in later periods (DOE/EIS-0123F, pp. 105-107).

BPA analysis concluded that a 10 mills/kWh Con/Mod incentive level would have an adverse economic effect on other BPA ratepayer classes. This effect would violate the "win-win" principle described in the *DSI Options Study*. However, higher levels of smelter employment would be expected at an incentive level of 10 mills/kWh than at lower incentive levels (DOE/EIS-0123F, p. 111).

Participation in a Con/Mod program will be optional to all smelters. Hence, if the level of incentive offered for modernization is considered inadequate by the aluminum companies, then a Con/Mod incentive at any of the three levels will not alter operation of the smelters, nor will it prevent them from closing.

Addition of a Con/Mod incentive to the variable rate is not expected to substantially improve the likelihood of reopening the smelter at The Dalles, or

to substantially affect a decision to close the smelter at Columbia Falls, Montana, since both plants already have undergone major investments to make them more energy-efficient.

Still, it is expected that a Con/Mod incentive in combination with the variable rate probably would result in a higher average level of aluminum production by the region's smelters than would a variable rate alone. The higher the level of Con/Mod incentive, the greater the potential effect on smelter operating levels (DOE/EIS-0123F, p. 116-118). The actual physical modifications to smelters associated with implementation of a Con/Mod program would not be expected to increase the smelters' production of various air and water pollutants per ton of aluminum produced. A number of the modernization measures expected to be undertaken would tend to reduce emissions.

Furthermore, the actual physical modifications and process changes used to effect Con-Mod at Northwest aluminum smelters are expected to have minimal physical environmental impact for two reasons: (1) Federal and State environmental regulatory control already exists, and (2) modifications or retrofits to aluminum smelters are not anticipated to increase pollutant discharges.

Changes in operation of thermal and hydroelectric resources resulting from a Con/Mod program are expected to be minor because of compensating actions BPA would take to market to others any power made available as a result of DSI load reductions (DOE/EIS-0123F, p. 132). Effects on thermal or hydroelectric generating resource operation from the proposed Con/Mod alternative in combination with the variable rate also are not significant (DOE/EIS-0123F, p. 132).

The impact on future need for acquiring new generating or conservation resources of having available a Con/Mod program in addition to the variable rate is unclear. Compared to having the variable rate alone, smelter loads on average likely would increase with the Con/Mod program since the smelters would tend to operate more. On the other hand, the smelters would be more efficient and, assuming their production capacity stayed constant, their loads at maximum production would decrease. The effect of having a Con/Mod program in addition to the variable rate on the need for future resources is dependent on whether smelters increase their production capacity with the Con/Mod program which smelters choose to

modernize; future aluminum prices, which greatly influence smelter operating levels; and the contractual terms chosen to secure the conservation savings. No definitive statement of impacts may be made without speculation (DOE/EIS-0123F, p. 109).

#### Environmentally Preferred Alternative

Selection of the environmentally preferred alternative entails balancing negative physical impacts with positive socioeconomic benefits. The Con/Mod alternative is environmentally superior to the no-action alternative described in the Final EIS when taking into account socioeconomic and physical environmental effects.

Under the Con/Mod alternative, the currently closed smelter at Vancouver, Washington, would have a higher probability of operating in the future than under no action. The Con/Mod program combined with the variable rate also would reduce the probability of closures and fluctuations in production levels at the other smelters. Therefore, the combination of these options would allow for higher, more stable employment in the region's aluminum industry (DOE/EIS-0123F, pp. 49-52, 97-102, 119-120.)

If the Con/Mod program and the variable rate together would result in reopening of the Vancouver plant, the physical impacts on the locale of the plant would be greater than under no action. However, any adverse physical impacts of this plant would be within the limits established by its environmental permits and would not be substantial. Avoiding permanent closure of this plant probably would require earlier development of new generating or conservation resources than under no action. However, because BPA expects to have a resource surplus for several years, the real effect that continued operation of the Vancouver plant would have on BPA's resource acquisition is somewhat uncertain. Finally, the Con/Mod program with the variable rate would not result in adverse physical impact from hydro and thermal resource operation that would exceed those under no action. This is because of actions BPA would take to market power freed up by smelter closures.

In summary, addition of the Con/Mod program to the variable rate is the environmentally preferred course of action. The socioeconomic benefits of preserving, stabilizing, and possibly increasing aluminum smelter employment, and of preserving and stabilizing BPA revenues under the proposal, would outweigh any adverse effects of the proposed Con/Mod program on the physical environment

because those effects are regulated under Federal, State, and local regulations and permits. The adverse socioeconomic impacts of the no-action alternative would outweigh any positive physical impacts. The Con/Mod program in addition to the variable rate is environmentally preferred over having only the variable rate.

#### Mitigation

Adverse environmental impacts are not likely to result from BPA's proposed Con/Mod program. Also, it is unlikely that the proposed Con/Mod program will result in new aluminum plant production capacity in the region.

Physical impacts could result if aluminum plants operating levels increased. However, all of the aluminum plants are required to comply with Federal and State laws and regulations for protection of the environment. Air pollution control equipment already has been installed in the plants to comply with regulatory requirements. Existing groundwater pollution problems from past practices at some smelters are being addressed by State and Federal environmental agencies. Facilities for storage of spent potliners have been improved at some of the plants, reducing chances for further contamination from cyanide-containing leachate. Therefore, specific mitigation measures for the Con/Mod program are not needed and none are proposed.

Any changes in hydroelectric resource generation that might occur as a result of changes in aluminum smelter loads will be limited by factors constraining river operations. These factors include flood control, navigation, recreation, and mitigation for fish. Under the terms of the Northwest Power Act, BPA is required to protect, mitigate, and enhance fish and wildlife to the extent affected by development and operation of hydroelectric projects on the Columbia River or its tributaries. BPA, the U.S. Army Corps of Engineers, and the Northwest Power Planning Council will continue to develop and implement effective spill, bypass, and transportation programs to facilitate passage of downstream migrating smolts.

#### Monitoring

BPA does not plan to monitor environmental effects of the proposed Con/Mod initiative.

Generally, smelters are required, as a condition of their permit, to report to the responsible environmental regulatory agency any physical or operational change which would increase air pollutant emissions, discharges of water pollutants, or hazardous waste

generation, except for a simple change in production level within design production capacity.

The aluminum companies are also required to monitor their environmental performance and make periodic reports to the environmental regulatory agencies that have jurisdiction in their respective geographic locations. Furthermore, the plants are periodically inspected by regulatory agency personnel. For any change in emissions discovered through the preceding, the regulatory agencies have authority to require a change in one or more of the plants' environmental permits.

For any substantial change in the smelter, such as an increase in capacity or a change in the type of pollution control device, a permit modification or a new permit would be required. Permits also expire periodically and must be renewed for a plant to continue to operate. When a permit is being granted, renewed, or modified, the regulatory agency assures compliance to the established regulations and standards.

Moreover, regulatory agencies generally go beyond the strict requirements of the regulations and standards, and may impose more stringent measures or additional requirements if needed to protect the environment, or if they are otherwise practical (e.g., a smelter's past performance indicates it can meet a stricter permit).

Issued in Portland, Oregon, on November 18, 1986.

Robert E. Ratcliffe,

Acting Administrator, Bonneville Power Administration.

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### Federal Energy Regulatory Commission

#### Determinations Under the Natural Gas Policy Act for OCS Leases Issued on or After April 20, 1977

Issued: November 20, 1986.

On September 27, 1983, the Federal Energy Regulatory Commission (Commission) issued Order No. 336 under Docket Nos. RM83-3 and RM81-12 (48 FR 44,508 September 29, 1983). In that order, the Commission amended its regulations relating to filing requirements for well category applications under the Natural Gas Policy Act of 1978 (NGPA). The determination process for natural gas produced from a new lease, i.e., a lease entered into on or after April 20, 1977, on the Outer Continental Shelf (OCS), and