

BONNEVILLE POWER ADMINISTRATION RECORD OF DECISION

for the Wallula-McNary Transmission Line Project and Wallula Power Project

THE DECISION

The Bonneville Power Administration (BPA) has decided to implement its portion of the proposed action identified in the Wallula Power Project and Wallula-McNary Transmission Line Project Final Environmental Impact Statement (DOE/EIS-0330, August 2002). The proposed action includes construction of the Wallula Power Project (Wallula Project) that has been proposed by Wallula Generation, LLC (Wallula LLC). The proposed Wallula Project is a 1,300-megawatt (MW) natural-gas-fired, combined-cycle turbine power plant that Wallula LLC is planning to construct on a site near the Columbia River in Walla Walla County, Washington, approximately eight miles south of the City of Pasco. BPA's portion of the proposed action includes interconnection of the Wallula Project with the Federal Columbia River Transmission System (FCRTS) through the construction of a new transmission line and substation and negotiation of interconnection and transmission agreements with Wallula LLC or its successor. BPA will construct a new 5.1-mile, 500-kilovolt (kV) transmission line to interconnect the Wallula Project with the FCRTS and the new Smiths Harbor Substation, where the interconnection will be located. The new substation will be located adjacent to the existing 500-kV Lower Monumental-McNary transmission line, which is a part of the FCRTS. Power generated by the Wallula Project will be made available for purchase in the wholesale power market.

Wallula LLC has also requested firm transmission service be available on the FCRTS to John Day and Big Eddy Substations. The proposed action evaluated in the EIS included an additional 28 miles of 500-kV line that was expected to be needed for firm transmission service to John Day and Big Eddy. The need for the 28-mile segment of line diminished as other proposed generation projects that requested firm transmission on existing transmission lines were cancelled or put on hold. This has resulted in adequate transmission capacity for Wallula Project service becoming available at this time on the existing Lower Monumental-McNary line. Although construction of all project components and negotiation of contract agreements were originally expected to be completed by fall of 2004, the current schedule is uncertain.

For BPA, implementing the proposed action involves offering contract terms to Wallula LLC or its successor for interconnecting the Wallula Project into the FCRTS and providing firm transmission service to John Day and Big Eddy Substations. Under these contracts, BPA will construct, operate, and maintain the necessary interconnection facilities (including the new transmission line and substation) and integrate power from the Wallula Project into the FCRTS. Firm transmission service will require transmission capacity be available on the existing Lower Monumental-McNary transmission line.

BACKGROUND

Wallula LLC has proposed the Wallula Project to respond to the long-term demand for electricity in the region. Demand for electricity is expected to continue to grow with population increases on the West Coast, despite the recent slump in the economy. The West Coast experienced a shortfall in electric energy supply on many occasions within the past two years, as well as a volatile wholesale power market in which prices reached record highs during 2001. Recent long-term planning estimates by BPA and the Pacific Northwest Electric Power Planning and Conservation Council show the region will need an additional 5,000 to 6,000 MW of electricity over the next 5 years; estimates for the next 10 years run as high as 8,000 MW. The Wallula Project would help serve as a resource to meet demand in the long term.

Wallula LLC has requested that BPA interconnect the Wallula Project with the FCRTS and provide firm transmission service. BPA has adopted an Open Access Transmission Tariff, consistent with the Federal Energy Regulatory Commission's (FERC) *pro forma* open access tariff. Under BPA's tariff, BPA offers transmission services, including interconnection of generation to all eligible customers on a first-come, first-served basis, subject to environmental review and approval. Although BPA is not subject to FERC's jurisdiction, BPA follows the tariff as a matter of national policy. This course of action demonstrates BPA's commitment to non-discriminatory access to its transmission system and ensures that BPA will receive non-discriminatory access to the transmission systems of public utilities, which are subject to FERC's jurisdiction. Although BPA's interconnection of a generator is subject to National Environmental Policy Act (NEPA) review, BPA otherwise will not deny interconnection to any eligible customer that complies with BPA's financial and technical requirements.

PROJECT DESCRIPTION

The proposed Wallula Project is a 1,300-MW natural-gas-fired power generation plant that has a footprint of 64 acres on a 175-acre site. The project site is within the southern half of Section 34, Township 8 North, Range 31 East, and is bordered on the west by U.S. Highway 12 and on the east by the Union Pacific Railroad. Lake Wallula (the Columbia River behind McNary Dam) is located approximately 800 feet west of the generation plant site. The project area is zoned for heavy industrial development and is surrounded by a variety of industrial businesses. The project site generally slopes westward toward the Columbia River and is characterized by gently rolling topography.

The Wallula Project will burn natural gas in a combined-cycle combustion-turbine system including two independent 650-MW power generation blocks, each consisting of two combustion gas turbine-generators, two heat recovery steam generators, each with steel exhaust stacks that are 175 feet high and 20 feet in diameter, and one single reheat condensing steam turbine generator. Best available control technology will be used for protection of the air and water resources surrounding the power plant.

Proposed ancillary facilities to be constructed include a 4.6-mile makeup water supply pipeline from the existing 10 Boise Cascade Corporation fiber farm water wells, a substation at the plant with step-up transformers (for interconnection with BPA's new transmission line, described below), and a permanent county access road linking the project site to Dodd Road. In addition, a

5.9-mile natural-gas pipeline interconnection will be engineered, constructed, owned, and operated by PG&E Gas Transmission-Northwest.

A new 5.1-mile, 500-kV transmission line will be constructed by BPA from the plant substation to a new BPA substation near Smiths Harbor. The facilities and features to be constructed for the transmission line project include steel lattice transmission tower structures averaging 145 feet high (1,150-foot span) to support conductors, insulators, fiber optic cable, and ground wire; counterpoise for lightning protection (buried around the tower structure); the new substation; and access roads. The new Smiths Harbor Substation will have a footprint of approximately 7 acres and will interconnect the new Wallula-Smiths Harbor 500-kV line to the existing Lower Monumental-McNary 500-kV transmission line. The substation will be surrounded by a protective fence and will include a control house and graveled substation yard. Purchases of right-of-way for transmission line corridor segments and for use of access roads outside of the transmission line right-of-way will be required.

In addition to the Wallula-Smiths Harbor 500-kV line, the Draft EIS for the Wallula Project and transmission line identified and evaluated a 28-mile segment of proposed 500-kV transmission line to be constructed between the Smiths Harbor Substation and McNary Substation, as well as proposed upgrades to the McNary Substation that would be required to connect this new 28-mile segment of transmission line into McNary substation. At the time of the Draft EIS, it was believed that these elements would be necessary to transmit Wallula Project power to John Day and Big Eddy Substations. However, as discussed in the Final EIS, these elements of the proposed action have been dropped because it has been determined that these elements are not required at this time for interconnection and transmission service for the Wallula Project. The decision not to build this segment of transmission line at this time is due to the existing availability of transmission capacity on the Lower Monumental-McNary transmission line. If additional requests to wheel power on this segment of the Lower Monumental-McNary transmission line are received, the need to construct the Smiths Harbor-McNary segment of transmission line may return in the future. If this occurs, BPA will assess at that time whether the environmental analysis of this segment in the EIS remains adequate and thus is sufficient to support an additional Record of Decision regarding this segment, or if a supplemental or new environmental evaluation under the NEPA should be prepared to support a decision regarding this segment.

BPA will prepare two contracts offering terms for interconnection of the Wallula Project. The first contract will be a Generation Interconnection Agreement that provides for interconnection of the Wallula Project with the FCRTS. This agreement will allow the Wallula Project to operate in the BPA Control Area while ensuring that the reliability of the FCRTS and interconnected systems is not adversely affected. The second contract will be a Construction, Operation, and Maintenance Agreement, which provides for engineering, procurement, and construction of the interconnection facilities and for operation and maintenance of the facilities. In addition, a transmission service contract would need to be negotiated for the provision of firm transmission service to desired points within the FCRTS.

ALTERNATIVES CONSIDERED

Four alternatives for interconnection and transmission were evaluated in the EIS. These alternatives included the proposed action and the following three alternatives:

- **Alternative Tower Height and Longer Span Design.** This alternative considered increasing the height of the standard transmission towers proposed along a portion of the Smiths Harbor-McNary segment from just south of Wallula Junction to a point approximately parallel to milepost 195 on U.S. Highway 730. The greater distances between towers would potentially reduce the number of structures needed, the area of land disturbed, the amount of steel used, and overall construction costs.
- **Alternative Alignment near McNary Substation.** This alternative requires the fewest changes to the existing configuration coming into McNary Substation. The new Smiths Harbor-McNary line would turn north before reaching the existing location of the Lower Monumental-McNary line and then continue north before reaching an angle point northeast of the angle point where Lower Monumental-McNary turns into McNary Substation. The centerline of the new line would be located 125 feet east of the centerline of the existing Lower Monumental-McNary line in this segment.
- **No Action Alternative.** The No Action Alternative would result in no construction or operation of a 1,300-MW electric generation plant at the Wallula Project site. It also would preclude the construction and operation of other elements of the proposed action, including the BPA electrical transmission line and substation, the Smiths Harbor Switchyard, the water pipeline, and the gas lateral. There would be no contracts for interconnection or transmission within the FCRTS. This alternative would be the environmentally preferable alternative because it would have the least environmental impact of the alternatives considered in the EIS.

RATIONALE FOR DECISION

I have decided it is in the best interests of BPA and the Pacific Northwest to offer contract terms for integrating the Wallula Project into the FCRTS and to construct 5.1 miles of new 500-kV transmission line and the new Smiths Harbor Substation. The 28-mile segment of transmission line between the new Smiths Harbor Substation and McNary Substation, and the upgrades necessary to connect the new segment of transmission line at McNary Substation, are not needed for successful operation of the Wallula Power Project so these components will not be built at this time. The selected alternative best meets the purpose and need described for the transmission line project, which includes:

- Provide an adequate, economical, efficient, and reliable transmission system for the Pacific Northwest;
- Be in accordance with BPA's Open Access Transmission Tariff;
- Achieve cost and administrative efficiency;
- Comply with Federal environmental and energy laws and policies; and

- Minimize impacts to the natural and human environment through site selection and transmission line design.

The proposed Wallula Project and associated transmission line will be expected to provide economic and reliable energy to the Pacific Northwest. Interconnection of the Wallula Project to the FCRTS will be in accordance with BPA's Open Access Transmission Tariff. The Wallula Project has fulfilled all Federal, State, and local requirements for all environmental concerns such as air, water, and noise. In December of 2002, the Governor of Washington approved the siting of the power plant at the proposed location, as recommended by the Washington Energy Facility Site Evaluation Council (EFSEC). EFSEC has jurisdiction over all of the evaluation and licensing steps for siting major energy facilities in the State of Washington. Appropriate mitigation measures such as Best Management Practices for water use, sound abatement techniques for noise, purchase of offsets for impacts to shrub-steppe habitat and release of PM10 particulates and greenhouse gases into the air, and re-vegetation for areas where the land is disturbed during construction are included.

BPA contracts providing integration of power from Wallula into the FCRTS will include terms requiring that all necessary permits be approved before the contract is implemented. BPA expects that Wallula will comply with terms and conditions of all permits issued pertaining to this project, including the mitigation and conditions stated in its air quality permit that are relevant to construction and operation of the Wallula facilities.

The selected alternative avoids or mitigates many of the environmental impacts of constructing and operating a high-voltage transmission line. The alternative with longer spans and taller towers would have had a higher impact on scenic value, although it is a remote area, and would have increased the risk of birds colliding with the transmission lines, since they would have been at a different height from the existing line. The alternative alignment going into McNary Substation would have been less complicated to construct and perhaps less costly, but had a higher potential conflict with development interests in the city of Umatilla. Both of these alternatives only affected the proposed Smiths Harbor-McNary portion of the line. There is no difference between the action alternatives on the segment of transmission line that will actually be constructed between Wallula and Smiths Harbor.

Construction of the Wallula-Smiths Harbor transmission line in the proposed location minimizes impacts to local agriculture and industry uses on surrounding lands. The location of the line was adjusted to lessen potential impacts to bald eagles, which appeared to be feeding on ducks in nearby ponds. Adjusting the location of the line also lessened chances of potential buildup of static electricity on feeding facilities at an adjacent cattle feed farm. Construction of the transmission line and substation will not disturb any wetlands.

Construction and operation of the transmission line and substation facilities will include appropriate provisions for remediation of oil or other hazardous substances in a manner consistent with applicable Federal, State, and local laws.

The proposed action would provide local benefits to Walla Walla County and nearby local communities in the form of tax revenues, opportunities for employment, and mitigation funding provided by the applicant to various organizations that would not occur under the No Action Alternative.

Additional analysis and guidance for interconnection of generation projects is found in BPA's Business Plan (BP), the Business Plan Environmental Impact Statement (BP EIS) (DOE/EIS-0183, June 1995), and the Business Plan Record of Decision (BP ROD) (August 15, 1995). The BP EIS was intended to support a number of decisions (BP EIS, section 1.4.2), including contract terms BPA will offer for transmission services. The BP EIS and ROD documented a strategy for making these subsequent decisions (BP EIS, Figure 1.4-1 and BP ROD, Figure 3, page 15). BPA's decision to offer terms for interconnecting the Wallula Project is supported by the BP EIS as well as the site-specific analysis contained in the EIS completed for this project.

MITIGATION

All practicable means to avoid or minimize environmental harm from the alternative selected have been adopted. Mitigation for the Wallula Project, Smiths Harbor Substation, and Wallula-Smiths Harbor transmission line project will be implemented in accordance with Appendix A of the Final EIS for these projects. This mitigation was developed following the guidelines of the NEPA and the State of Washington's State Environmental Policy Act. These projects will also be constructed in accordance with permit conditions specified by regulatory agencies.

Issued in Portland, Oregon.

/s/ Stephen J. Wright

March 10, 2003

Stephen J. Wright
Administrator and
Chief Executive Officer

Date