BEFORE THE STATE OF WASHINGTON ENERGY FACILITY SITE EVALUATION COUNCIL

In re Application No. 94-2	100
CHEHALIS POWER INC.)	PREHEARING ORDER No. 3
	ORDER GRANTING MOTION
Certification of the	TO EXCLUDE ISSUES,
CHEHALIS GENERATION)	IN PART
FACILITY)	
)	

This matter involves an application by Chehalis Power Inc., for certification of a proposed site at Chehalis, Lewis County, Washington for construction and operation of a natural gas-fueled combustion turbine facility to generate electrical energy under Chapter 80.50 RCW. On June 14, 1995, Chehalis Power (the "Applicant") moved to exclude from consideration during the adjudicative hearing a number of issues. The Department of Ecology, Critical Issues Council, Counsel for the Environment, and Washington State Energy Office filed answers on July 14, 1995. The Applicant submitted a reply on July 17, 1995.

The Applicant is represented by Elizabeth Thomas and Thomas Eli Backer, attorneys, Seattle; Counsel for the Environment is Thomas Young, assistant attorney general, Olympia; Critical Issues Council is represented by Allen T. Miller Jr., attorney, Olympia; the Washington State Energy Office is represented by Tommy Prud'Homme, assistant attorney general, Olympia; and the Department of Ecology is represented by Mary Sue Wilson and Ronald L. Lavigne, assistant attorneys general, Olympia.

The Applicant argues that some of the parties' contended issues are beyond the Council's jurisdiction and that others are outside the scope of the adjudicative proceeding. Among the former, the applicant includes issues involving the natural gas pipeline, which the applicant contends are exclusively within FERC jurisdiction; issues relating to need for power, which the applicant contends are barred to the Council by statute; issues relating to the sufficiency of environmental processes undertaken by the Bonneville Power Administration (BPA); and a number of miscellaneous individual issues. Issues that the Applicant contends are outside the scope of the hearing relate to compliance with the State Environmental Policy Act ("SEPA") and consistency with the Washington Energy Strategy.

The Council will address each of the topics individually.

¹The Applicant's list of issues is attached as Appendix A.

Jurisdictional issues.

Issues relating to the Natural Gas Pipeline.

The applicant argues that EFSEC lacks authority over the siting and safety regulations of the natural gas pipeline because the exclusive jurisdiction of the Federal Energy Regulatory Commission (FERC) preempts the field. The applicant argues that because FERC will conduct its own environmental review under the National Energy Policy Act ("NEPA"), EFSEC as a state agency is preempted from conducting its own environmental review.

In response, the Critical Issues Council ("CIC") argues that the mitigation of potential on-site fuel-related hazards are properly within the Council's jurisdiction. CIC also argues that EFSEC has the jurisdiction to regulate the pipeline connecting the proposed plant because the United States Supreme Court has held that states can regulate interstate natural gas after it has entered a local distribution system, citing Federal Power Commission v. East Ohio Gas Co., 338 U.S. 464, 94 L.Ed. 268, 70 S.Ct. 266 (1950). The Department of Ecology ("Ecology") argues that EFSEC is required to consider the impacts of the pipeline under both SEPA and RCW 80.50.010(2). Counsel for the Environment concedes that consideration of the gas pipeline is beyond EFSEC's jurisdiction.

The Council rules that issues relating to the off-site construction and operation of the natural gas pipeline are outside the Council's jurisdiction and will be excluded from consideration. The on-site effects from fuel and fuel handling are within the Council's jurisdiction and will not be excluded.

Under RCW 80.50.020(7)(b) ², EFSEC has no statutory jurisdiction over gas pipelines regulated by the United States Federal Power Commission. ³ Under 15 U.S.C. § 717 (the "Natural Gas Act") Congress has delegated to FERC the power to regulate transportation of natural gas in interstate commerce. Because the pipeline transporting natural gas to the proposed facility is the extension of an interstate pipeline, FERC has exclusive jurisdiction.

(7) Transmission facility' means any of the following together with their associated facilities:

(b) Natural gas, synthetic fuel gas, or liquified petroleum gas transmission pipelines of the following dimensions: A pipeline larger than fourteen inches minimum inside diameter between valves, for the transmission of these products, with a total length of at least fifteen miles for the purpose of delivering gas to a distribution facility, except an interstate natural gas pipeline regulated by the United States federal power commission.

²The statute reads as follows:

³The functions of the Federal Power Commission have been transferred to FERC.

EFSEC's jurisdiction over the site requires it to regulate the distribution of fuel after it leaves the pipeline and enters connectors within the facility, as well as the on-site environmental effects of fuel that may have escaped from the pipeline's on-site segment. It does not cover the construction or operation of the pipeline, either on-site or off-site.

Issues Relating to Need and Consistency

The Applicant argues that the Council may not consider whether the project's power is needed because the Council's enabling statute declares a policy that there is a "pressing" need for additional energy facilities. It contends that the issue is thus beyond EFSEC's jurisdiction. The Applicant further argues that the consideration of need is unnecessary because if the Bonneville Power Administration ("BPA") chooses to exercise its option to purchase power from the proposed project, it will determine whether the project is needed as well as whether the project is consistent with the Northwest Power Planning Council's Regional Power Plan. The applicant concludes that the principle of comity, if not preemption, requires EFSEC to defer to BPA.

In response, the CIC argues that the pressing need for energy facilities found in RCW 80.50.010 must be considered in light of EFSEC's statutory requirement to balance the need for energy against environmental impacts. In addition, CIC argues that because BPA will not exercise its option and conduct its need analysis before EFSEC makes a certification decision, EFSEC must conduct an independent consistency and need review.

Counsel for the Environment and the Department of Ecology also argue that the issue is proper for consideration because EFSEC must balance the need for energy with broad interests of the public under RCW 80.50.010. Public interests that include assuring operational safeguards, preserving and protecting the quality of the environment, and providing abundant energy at reasonable cost. Id. They argue that the EFSEC has given effect to these three policies by adopting WAC 463-14-020, requiring the Council to consider the above policies when acting upon any application for certification.

Based on these provisions, the Intervenor parties⁴ argue that in order to conduct the balancing required by the statute, EFSEC must consider whether, and to what extent, there is a need for the power produced by the proposed plant. Similar to the CIC, Counsel for the Environment argues that if BPA does not exercise its option on the Chehalis project, and the Applicant proceeds with construction anyway, it is up to EFSEC to assure that a need analysis will be done. The Intervenors further argue that even if BPA does conduct a need analysis under Section 6(c), this does not relieve EFSEC of its duty to balance the need for additional energy against possible environmental impacts. Counsel for the Environment concludes that while BPA's need analysis may supply evidence to be used by EFSEC, it should not be considered conclusive.

⁴The Council will refer to Counsel for the Environment and the participating state agencies, and "outside" intervenors who have answered this motion collectively as the "intervenor parties."

The Washington State Energy Office ("WSEO") filed a separate brief addressing only the need and consistency issues. The WSEO argues that the two issues of need for the project and the project's consistency with regional and state energy goals and policies are "two sides of the same coin." WSEO disputes the Applicant's claim that the recognition of a general need for energy facilities that is found in the EFSEC statute's policy provisions equates with a need for the Applicant's facility.

Like the other intervenor parties, the WSEO argues that the balancing required under RCW 80.50.010 requires the Council to consider whether the proposed project is "necessary" and to assure itself that the project is "consistent" with regional and state energy goals and policies. WSEO argues that if BPA does not exercise its option, and the project is built for a different power purchaser, EFSEC should evaluate the project in light of the standards set by the North Electric Power Planning and Conservation Act. In addition, WSEO argues that EFSEC should consider the proposed project in light of the policies set out in the Washington State Energy Strategy. WSEO concludes by suggesting that EFSEC adopt a three part test to help EFSEC judge whether state and regional energy policies and goals are being met.⁵

The applicant replies by again arguing that EFSEC's lack of jurisdiction, coupled with and the principles of comity and preemption, require deference to BPA's need and consistency review. The Applicant further suggests that any EFSEC consistency review using the Power Planning Council's current Regional Power Plan would likely be invalidated by the courts -- because, it contends, the Power Planning Council is in the process of updating the Regional Power Plan, making the current Plan obsolete. In reply to WSEO's brief, the Applicant argues that because EFSEC's jurisdiction is limited to very specific electric generating facilities, EFSEC lacks the authority and the tools needed to undertake broad energy planning and development. Last, the Applicant argues that a need and consistency analysis is inconsistent with the current trend toward deregulation and that EFSEC's limited resources would be better used to ensure that no significant, unmitigated impacts upon the environment result from the project.

RCW 80.50.010 does express a legislative policy that energy is needed. The legislature had the opportunity to change that provision during its 1994 session but failed to do so. However, this expression of state policy does not necessarily mean that the Council is totally foreclosed from considering the issue of need.

The intervenor parties argue that the Council must consider need for additional power in order to balance properly the need for a project with the broad public interest. They contend that the only way EFSEC can effectively conduct this balancing is by weighing the need for power against a project's environmental impacts. We find his argument persuasive and decline to exclude the issue totally from the proceeding. This does not mean that the Council believes it may override the

⁵The Council confines its decision here to whether the issue is jurisdictional, rather than how it should resolve the issue if it is found jurisdictional.

statutory statement of need, but only that it may use evidence of need while balancing need with environmental consequences.

EFSEC's authority to consider the accuracy of BPA's projections of need is limited but may be appropriate in that limited sense. The accuracy of BPA's projections may affect the
Council's approach to licensing and the term of any site certificate it issues. The Council has no
jurisdiction to make BPA's determinations, nor to review or second-guess them. However, because
BPA's determination affects the issues of project timing and likelihood of construction, the Council
has the power to consider this matter.

The Council rejects the proposal to remove these issues from the hearing as a matter of law.

The applicant contends that the Council has no jurisdiction to consider whether the proposal is consistent with both the Northwest Power Planning Council's Power Plan and the Washington State Energy Strategy.

As to the former, it may be true that the Council has no jurisdiction to make a determination that the application is or is not consistent with the Power Plan, as it has no jurisdiction to make decisions for the Power Planning Council. It is also true, however, that the Council may need to consider the likelihood of the project being built in light of the Power Plan. This assessment would involve a consideration of the project's consistency with the Power Plan, in order to determine the length of any permit to be granted. The evidence may also be relevant to other conceivable limiting conditions that may be placed in the certification agreement. Therefore, the Council does not believe that these issues should be excluded from its consideration.

As to the Energy Strategy, the Council is not prepared to rule as a matter of law that consistency with the Energy Strategy is totally without relevance. Indeed, the Energy Strategy has been approved by the Legislature (Laws of 1994, Ch. 207, § 3; codified in Chapter RCW 43.21F) and has been deemed by the Governor as applicable to energy decisions made by state agencies (Executive Order 94-01).

"Upstream" impacts of Natural Gas Withdrawals.

The Applicant urges the exclusion of potential upstream impacts from the mining of natural gas in whatever other states and countries prove to be the origin of natural gas that the project will use as fuel. It argues that this issue is outside EFSEC jurisdiction and that it is too remote and speculative to fall within the subjects to be considered during the adjudicative hearing. Ecology responds that any speculative nature reflects only the weight of the evidence and not its admissibility, and that EFSEC has the authority to review this issue under SEPA. Counsel for the Environment also argues that SEPA allows consideration of this issue.

The Council agrees with the Applicant that the upstream impacts of withdrawing natural gas outside of Washington State is not within EFSEC's jurisdiction. The Council cannot regulate the withdrawal and cannot order measures to make the withdrawal less harmful environmentally. Thus, for purposes of the adjudication, this issue will be excluded from the Council's consideration.

This does not preclude the parties from raising issues in the Council's SEPA/NEPA review.

Issues regarding the legal sufficiency of Bonneville's Environmental Impact Statement.

None of the intervenor parties opposed the exclusion of this issue from the adjudicative hearing. The Council believes that it is clear that it has no jurisdiction to determine the legal sufficiency of BPA's federal process. The Council grants the Applicant's motion to exclude this issue.

Issues Regarding the Consideration of Alternative Sites.

The Applicant argues that under RCW 80.50.040(7), EFSEC must limit its consideration during the adjudicative hearing to the site chosen. The Applicant, further argues that limiting consideration to the chosen site is consistent with WAC 197-11-440(5)(b) and the holding in Citizens Alliance to Protect Our Wetlands v. Auburn, 126 Wn.2d 356 (1995). There, it contends, the court held that under SEPA private projects need not consider off-site alternatives.

In response, the Intervenors argue that the Chehalis facility is a "public" facility which must address alternative sites under SEPA. In addition, the Intervenors argue that the consideration of alternative sites is allowed under EFSEC governing statutes and regulations.

The Council declines to exclude this issue. EFSEC's enabling legislation defers to the Council the "development of a procedure for the selection and utilization of sites for energy facilities...." RCW 80.50.010.

RCW 80.50.040 grants to the Council the power "(1) To adopt, promulgate, amend, or rescind suitable rules and regulations, pursuant to chapter 34.05 RCW, to carry out the provisions of t

80.50.040 Energy facility site evaluation council -- Powers enumerated. The council shall have the following powers:

⁶The statute reads as follows:

⁽⁷⁾ To conduct hearings on the proposed location of the energy facilities;

<u>atternatives for site</u>, route, and other major elements of the proposal." (emphasis added). It does so to assist it in evaluating the proposal. It would stretch the limits of logic to require the applicant to address the issue of site alternatives in its application but restrict such considerations from the adjudicative hearing. Therefore, the Council finds the consideration of off-site alternatives completely appropriate.

The Council does not rule on the appropriateness of considering off-site alternatives within the project's required SEPA review.

Monetary Compensation as a Form of Mitigation

The Applicant argues that financial compensation as a form of mitigation is a tax and its imposition is prohibited by law. The intervenor parties respond that the compensation as a form of mitigation is proper under the Council's statutes and SEPA.

The Council disagrees that this matter should be excluded from its consideration as a stipulations, and it has the power to authorize mitigation for which the applicant must pay -- the equivalent of cash mitigation. We are concerned that the applicant's proposed principle, taken to its logical extension, could preclude us from proposing reasonable mitigation or conditions of any sort upon an application.

We also note that RCW 80.50.010 provides that the Council is to "... ensure through available and reasonable methods that ... such facilities will produce minimal adverse effects on the environment ..." It states as well that the legislation and the Council are to "... seek courses of action that will balance the increasing demands for energy [facilities] ... with the broad interests of the public. RCW 80.50.010 (emphasis added). We believe that financial mitigation can be an important element in the public interest, allowing government funding of appropriate mitigation measures. Financial mitigation also appears to be within the range of available, reasonable methods allowed to assure minimal adverse environmental effects. In fact, in certain situations, this approach has the potential of proving more efficient and less costly than mitigation in kind.

There is no statutory prohibition against EFSEC authorizing or requiring financial mitigation. We decline to rule that the financial mitigation of impacts is excluded from the adjudication as a matter of law.

To the extent that an issue is contended to arise from the valuation of a public taking of pipeline right-of-way, the Council grants the motion to exclude. State law provides that the proper forum for the valuation of takings of that sort lies with the Superior Court, not with the Council.

Mitigation of Carbon Dioxide Emissions

The Applicant contends that the consideration of carbon dioxide emissions is improper because (1) no other state or federal agency is regulating CO₂ as a pollutant, and (2) no amount of evidence presented would be adequate to allow the Council to meaningfully assess fair and appropriate mitigation measures. Counsel for the Environment responds that the Council does have authority to consider of CO₂ emissions under its regulations and SEPA. He argues that the proposed plant will contribute over 1 million tons of CO₂ each year (approximately .8 percent of the state's total CO₂ emissions) to the problem of global warming.

The Council agrees that the effect of CO₂ in the environment is a complex issue that has led to intense scientific debate. However, the Council feels that the complexity of the issue does not take the matter from the Council's jurisdiction.

RCW 80.50.010 provides that the Council is to "... ensure through available and reasonable methods that ... such facilities will produce minimal adverse effects on the environment ..." (emphasis added). We consider the problems associated with the emissions of carbon dioxide to be such an adverse environmental effect. We decline to exclude this issue as a matter of law.

Cumulative Impacts.

The Applicant argues that cumulative impacts are outside EFSEC jurisdiction because the majority of projects currently planned are non-jurisdictional. The Applicant also argues that cumulative impacts from this facility and other gas-fired plants planned for the Northwest region are too remote and speculative for consideration during the adjudicative hearing. However, the Applicant admits that cumulative impacts can be addressed in the SEPA process.

Counsel for the Environment responds that, because no evidence has been presented as to the number of facilities currently planned or what stage of the process they are in, the Council should not exclude this issue as a matter of law. The Department of Ecology first contends that the Applicant's failure to accurately identify the basis for its objection makes it difficult to respond to the motion. Ecology requests the opportunity to provide additional briefing on the issue. Ecology goes on to argue that it is appropriate to consider the cumulative impact of the three proposals currently pending before the Council as well as the facility planned for Hermiston, Oregon under BPA's Resource Contingency Program.

We note that cumulative effects of emissions from the Satsop and Chehalis facilities will be considered in the adjudication to the extent allowed under the NPDES and PSD permitting processes. In addition, as suggested by the Applicant, the parties are fee to address this issue in the NEPA/SEPA process.

Furthermore, to the extent the Council deems this information relevant, it is within the Council's jurisdiction to consider the cumulative environmental impacts of the Chehalis facility in light of other facilities planned for the Northwest region.

Perfection of the City of Chehalis Water Permit

"City") of its water rights permit should be excluded because (1) EFSEC lacks statutory authority to determine the City's water rights, and (2) the issue is speculative and unnecessary for EFSEC to resolve. The Applicant contends that because the City's permit is a property right held by a third party, and Ecology has exclusive jurisdiction over that right, it is beyond EFSEC's jurisdiction to consider whether the City can perfect its water permit under RCW 90.30.330. The Applicant further contends that because it is legal for the City to provide water under an uncertified permit, and the Applicant is unsure whether the City plans to seek a certificate of water right, EFSEC need not consider this issue.

In response, the CIC argues that because the sale of water from the City to the Applicant is contingent on the water right being valid, the issue is suitable for consideration during the adjudication. Ecology, on the other hand, argues that because the Applicant must demonstrate the source and amount of its water, and both the City and the Applicant recognize that the total of the City's water right may not be perfected, the issue is not speculative.

The Counsel rules that the issue may be considered. An applicant's request for its own water right would be within the Council's preemptive authority. It appears that the rights of a third party are not jurisdictional. See, RCW 80.50.110. EFSEC must, however, evaluate whether the applicant has a likely source of water so as to make the project feasible, and may thus consider whether the water resource appears viable.

⁷The Council may permit further briefing on this issue if the parties desire.

10. May the City of Chehalis Provide Water to CPI at Lower Rates

The Council agrees with the Applicant that this issue is beyond the Council's jurisdiction and finds no need to discuss the issue further. The Council has no jurisdiction to set rates.

Mitigation of Respiratory Problems.

The Applicant argues that this issue is addressed by EFSEC during the PSD permitting process under the Clean Air Act. The Council agrees with the Applicant. All parties will be given the opportunity to comment on the adequacy of the Applicant's PSD permit during the adjudication. In addition, if intervenor parties feel this is inadequate, the SEPA process also offers an avenue for comment. Thus, considering the availability of these forums for comment, the Council rules that it would be unnecessary and duplicative to set an additional time during the adjudicative proceeding to consider the issue further.

B. Issues Outside the Scope of the Adjudicative Hearing

The applicant contends that the issues listed under this section should be excluded from the adjudication. Excluding the consistency issue addressed above, the Council grants the motion on these issues and rules that the consideration of the identified SEPA issues during the adjudication is improper.

The Council has devoted considerable attention to the relationship between SEPA and the APA. Because the Council is required by SEPA to consider its SEPA determination in its final adjudicative order and is required by the APA to consider only evidence that is in the adjudicative record, the Council has determined that the SEPA documents should be part of the record. The sufficiency of the EIS is not a matter for determination during the adjudication, however. See generally WAC 463-47-060(3) ("The council shall initiate and conclude an adjudicative proceeding hearing required by RCW 80.50.100 prior to issuance of the final EIS."). The Council rules that the issues regarding the form, sufficiency, and timing of the Council's environmental review process under SEPA are outside the adjudicative hearing. Those issues may be raised within the SEPA process itself.

The listed issues include whether the DEIS is adequate since the applicant has not conducted surveys of wildlife or plant life, are additional wildlife surveys necessary to determine impacts on threatened and endangered species, have cumulative effects of the Chehalis and Satsop projects been properly evaluated under SEPA, have SEPA requirements been met, whether the Council may adopt a BPA EIS, is a supplemental EIS required, and whether the application fails to serve the broad interests of the public under the State of Washington Energy Strategy.

ORDER

THE COUNCIL ORDERS: The motion of the Applicant, Chehalis Power Inc., is granted in part and denied in part. That issues shall be excluded from outside the scope of the hearing as specified in the body of this Order. The Council also orders that the motion is denied as to those issues that have been moved for exclusion but allowed for consideration as specified in this Order.

Dated at Olympia, Washington and effective this 4th day of August, 1995.

C. Robert Wallis, Vice Chair / Energy Facility Site Evaluation

Council

- What mitigation is planned to protect public safety from on site explosion, chemical discharge, fire, and other hazards? [CIC]; What mitigation plans will be required during construction of the natural gas pipeline [CIC]; Should the applicant be required to route the gas pipelines differently than is currently proposed? [CFE
- 2. Issues that involve an inquiry into need for power or other issues that will be addressed in Bonneville's 6(c) process. [Bonneville lists this as an non-issue for EFSEC]; How does the CPI project comply with requirements to use other higher priority resources to meet power needs, such as conservation? [CIC]; Whether the application fails to serve the broad interests of the public based on its lack of consistency with the Northwest Power Planning Council's Power Plan. [WSEO]; Are BPA's projections regarding the future demand for power reliable? [CFE]; Could other methods of producing electricity that are less environmentally damaging be used to meet BPA's projected demand for power? [CFE]; Is there a need for the facility? [CFE]
- 3. Issues regarding the legal sufficiency of Bonneville's EIS or EIS process, as opposed to questions of whether the document complies with Washington SEPA requirements. [Bonneville lists this as a non-issue for EFSEC]; Is the BPA EIS adequate? [CFE]
- Is the project too environmentally damaging when the effects of mining for natural gas are considered? [CFE]
- 5. Should CPI consider alternative sites for the facility with better water availability and where it is more compatible with other local land uses? [CIC] Should the applicant be required to locate the facility at a site where water is more abundant? [CIC]
- Should the applicant be required to compensate the State monetarily for environmental impacts caused by the facility? [CFE]
 - 7. Should the applicant be required to mitigate CO2 emissions? [CFE]
- 8. Are the cumulative impacts from the facility and the other gas-fired plants planned fro the Northwest region so great that the permit for the facility should be denied? [CFE]
 - 9. Will the City of Chehalis be able to perfect its water permit for 15 cfs? [CIC]

- May the City of Chehalis provide water to CPI at lower rates than it charges other users? [CIC]
- 11. What mitigation is planned to resolve respiratory problems from air pollution? [CIC]
 - B. EFSEC Issues Outside the Scope of Adjudicative Hearing.
- Is the Draft EIS In adequate since the applicant has not made studies or surveys of wildlife and plant life on the site? [CIC]; Should the applicant be required to conduct additional plant and wildlife studies to determine impacts to threatened and endangered species? [CFE]
- Have the cumulative effects of two gas turbine power projects on the Chehalis River at Satsop and Chehalis been properly evaluated under SEPA? [CIC]
- Whether the requirements of the State Environmental Policy Act have been met for the proposed project? [Ecology]; Has SEPA been complied with? [CFE]
 - 4. May EFSEC Adopt the BPA EIS? [CFE]
 - 5. Is a supplemental EIS required? [CFE]
- Whether the application fails to serve the broad interests of the public based on its lack of consistency with the State of Washington's Energy Strategy. [WSEO]

BEFORE THE STATE OF WASHINGTON ENERGY FACILITY SITE EVALUATION COUNCIL

In the Matter of Application No. 94-2

CHEHALIS POWER, INC.

CHEHALIS GENERATION FACILITY

APPLICATION NO. 94-2

CERTIFICATE OF SERVICE

The undersigned certifies that on August 4, 1995, she served the enclosed:

PREHEARING ORDER NO. 3

ORDER GRANTING MOTION TO EXCLUDE ISSUES, IN PART

by depositing copies thereof in the United States mail, properly stamped and addressed, as indicated on the Chehalis Generation Facility Service List.

DATED: August 4, 1995

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EFSEC Staff