

1.0 PURPOSE OF ACTION AND NEED FOR POWER

On October 29, 2003, Public Utility District No. 2 of Grant County, Washington (Grant PUD), a consumer-owned electric utility operating as a municipal corporation of the State of Washington, applied to the Commission for a new license for the Priest Rapids Hydroelectric Project No. 2110-116 (Project). With a total generating capacity of 1,768.8 megawatts (MW), the Project includes two separate dams and powerhouses located on the Columbia River in Grant, Yakima, Kittitas, Douglas, Benton, and Chelan Counties, Washington (Figure 1). The Project boundary encompasses approximately 34,380 acres, of which approximately 3,104 acres, including inundated lands, are Federal lands managed by the U.S. Bureau of Land Management, BLM, (748.85 acres), U.S. Bureau of Reclamation, BOR, (1,874.79 acres), U.S. Department of Energy, DOE, (51.24), U.S. Department of the Army (378.98 acres), and U.S. Fish and Wildlife Service, FWS, (49.83 acres).

1.1 PURPOSE OF ACTION

The Federal Power Act (FPA) provides the Commission with the exclusive authority to license non-federal water power projects on navigable waterways and federal lands. The Commission must decide whether to issue Grant PUD a new license for the Project and what conditions to place on any license it issues. The FPA requires the Commission to adopt conditions that will be best adapted to a comprehensive plan for improving or developing the waterway on which the project is located. In addition to the power and other developmental purposes, the Commission must give equal consideration to the purposes of energy conservation; the protection of, mitigation of damage to, and enhancement of fish and wildlife (included related spawning grounds and habitat); the protection of recreational opportunities; and the preservation of other aspects of environmental quality.

To ensure that the Commission makes an informed decision and to comply with the National Environmental Policy Act (NEPA) 42 U.S.C. 4321-4347, Commission staff prepared this final environmental impact statement (final EIS). In the final EIS, we assess the environmental and economic effects of the following alternatives: (1) continuing to operate the Project as it is currently being operated (No-action); (2) operating the Project consistent with the measures proposed by Grant PUD; and (3) operating the Project as proposed by Grant PUD with modifications recommended by staff.



Figure 1. Location of the Priest Rapids Project within the Columbia River Basin (Source: U.S. Army Corps of Engineers website; Priest Rapids labeling added by FERC Staff).

1.2 NEED FOR POWER

The 1,768.8-MW Project produces an average of approximately 8,609,000 megawatt hours (MWh) of energy annually for use by Grant PUD and the region. The energy produced by the project is roughly equivalent to the energy consumed in a year by a city the size of Seattle, Washington.

The federal law (Public Law 83-544) that authorized the non-federal development of the Project requires Grant PUD to offer a “reasonable portion” of the output of the Project for sale in neighboring states. During the initial license period Grant PUD sold 63.5 percent of the Project output under separate but uniform long-term power sales contracts and retained 36.5 percent for its own use. Grant PUD sells its share of Project power on a non-profit basis to its own retail customers and sells wholesale power to bulk power purchasers that serve customers in Washington, Oregon, Idaho, Montana, Wyoming, California and Utah.⁷ Each power purchaser receives its percentage share of the Project power and pays its corresponding share of Grant PUD’s total annual costs for operation, maintenance and debt service.

Commission orders of February 11, 1998 and June 12, 1998 (Kootenai Electric Cooperative, et al),⁸ allow Grant PUD to keep up to 70 percent of the Project power for its own use in the next license period, and require it to market 30 percent to the utility participants in the Commission's Kootenai proceeding pursuant to a Marketing Plan to be developed by Grant PUD and filed with its application for a new license. A Marketing Plan was filed by Grant PUD with its license application.

In December 2001 Grant PUD signed new power sales contracts with the twelve original purchasers and expanded the group to include ten utilities serving customers in Idaho. The power to be sold under those contracts will consist of that portion of the 70% of the Project output which Grant PUD does not expect to need in the early years of the new license period to meet its anticipated loads. The future power purchasers are investor-owned and consumer-owned utilities headquartered in Oregon, Washington and Idaho, namely: PacifiCorp, Portland General Electric, Puget Sound Energy, Tacoma

⁷ Twelve Northwest utilities hold contracts that expire on October 31, 2005, for portions of the output from the 855-MW, Priest Rapids development. Nine Northwest utilities hold contracts that expire on October 31, 2009, for portions of the output from the 900-MW, Wanapum development.

⁸ *Kootenai Electric Cooperative, et al. v. P.U.D. No. 2 of Grant County, WA*, 82 FERC ¶ 61,222 (1995), *reh'g denied*, 83 FERC ¶ 61,307 (1995), *aff'd*, 192 F.3d 144 (D.C. Cir. 1999) (*Kootenai orders*).

Power, Avista, Seattle City Light, Cowlitz PUD, Eugene Water & Electric Board, McMinnville Water and Light, City of Milton-Freewater, City of Forest Grove, Kittitas County PUD, Kootenai Electric Cooperative, Idaho County Light and Power, Northern Lights, Clearwater, and the Snake River Power Association. In total, they serve millions of customers in seven Western states.

The regional need for power is reported by the Western Electric Coordinating Council (WECC) Region of the North American Electric Reliability Council (NERC). The project is located in the Northwest Power Pool (NWPP) area of the WECC region. The NWPP area includes all or major portions of the states of Washington, Oregon, Idaho, Wyoming, Montana, Nevada and Utah, as well as a small portion of northern California and the Canadian provinces of British Columbia and Alberta. The NWPP area has a significant winter peak demand and depends heavily on hydroelectric generation (62 percent of installed capacity). For the period from 2003 through 2012, WECC expects winter peak demand and annual energy requirements in the NWPP area to grow at annual compound rates of 1.6 and 1.7 percent, respectively. With a significant percentage of hydroelectric generation in the region, it is expected that the ability to meet winter peak demand is adequate for the next ten years.

The ability to meet sustained seasonal requirements over the 10-year period depends on planned new generation additions (NERC, 2003). NERC's estimate of planned additions over the next ten years is significantly lower than estimated in 2002, down from an estimate of 81,055 MW to 32,323 MW, although approximately 8,000 MW of the 81,055 MW planned went into operation in 2002. The reduction in planned additions was primarily due to the deteriorated financial condition of several major merchant plant developers, and that more capacity was planned than was needed. Assuming the new capacity is constructed as planned, resource capacity margins for the winter-peaking area range between 23.4 and 29.6 percent of firm peak demand for the next ten years. We conclude that the region has a need for power over the near term and that the Project, which supplies a part of the current regional electricity demand, could continue to help meet part of the regional need for power.

The power from the proposed increase in turbine capacity at the Project would help to meet Grant's needs, as well as meeting part of the local and regional need for power. The project provides low-cost energy that displaces non-renewable, fossil-fired generation and contributes to a diversified generation mix. Displacing the operation of fossil-fueled facilities avoids some power plant emissions and creates an environmental benefit. The additional output resulting from the upgraded Wanapum turbines, if produced by fossil-fueled generation, would result in an increase in greenhouse gases of about 66,780 metric tons of carbon per year.

1.3 INTERVENTIONS AND PROTESTS

On November 7, 2003, the Commission issued a notice accepting Grant PUD's application for a new license for the Project. This notice set January 4, 2004, as the deadline for filing protests and motions to intervene. In response to the notice, the following entities filed motions to intervene. All late interventions listed below are allowed. One intervenor, the Confederated Tribes and Bands of the Yakama Nation (Yakama), opposes the issuance of a new license to Grant PUD, alleging illegal conduct by Grant PUD regarding a competing license application pursued by the Yakama and Grant PUD's contracting practices.

Intervenor	Date of Filing
Washington Department of Fish and Wildlife (Washington DFW)	December 4, 2003
American Rivers	December 18, 2003
Kootenai Electric Cooperative, Inc.; Clearwater Power Company; Idaho County Light and Power Cooperative Association, Inc.; and Northern Lights, Inc.	December 31, 2003
U.S. Department of Interior (Interior)	January 6, 2004
Columbia River Inter-Tribal Fish Commission (CRITFC)	January 6, 2004
Yakama	January 6, 2004
Alaska Department of Fish and Game (Alaska DFG)	January 6, 2004
National Oceanic and Atmospheric Administration, National Marine Fisheries Service (NMFS)	January 6, 2004
Benton Rural Electric Association	January 6, 2004
Avista Corporation	February 23, 2004
Kittitas County Public Utility District	November 2, 2004
Yakima County	May 27, 2005
Wanapum Indians/Tribe/Band (Wanapum)	May 27, 2005

1.4 SCOPING PROCESS

Before preparing this EIS, we conducted public scoping to determine the environmental issues associated with the licensing decision and to identify the alternatives for detailed analysis. An initial scoping document was prepared by Commission staff and made available to interested parties on March 9, 2004. Public scoping meetings and a site visit were held in Moses Lake, Washington on April 6 and

April 7, 2004. Notice of the meetings and availability of the scoping document was published in the Federal Register and local newspapers. Transcripts of the meetings are part of the public record for the project. In addition to the comments received at the meetings, the following entities provided written comments:

<u>Commenting Entity</u>	<u>Document Date</u>
Clifford J. Appel	April 7, 2004
Bill Crawford	April 9, 2004
Juanita Hackler	March 27, 2004
Pat Kelleher	April 29, 2004
AgFARMation	April 14, 2004
Basic American Foods	May 3, 2004
Chem-Con Materials Corporation	April 20, 2004
Columbia Basin Development League	May 3, 2004 (filed)
Columbia Basin Vegetable Seed Association	May 7, 2004
Grant County Black Sands Irrigation District	April 7, 2004
Industrial Customers of Northwest Utilities	May 6, 2004
McMinnville Water and Light	April 16, 2004
National Frozen Foods Corporation	April 5, 2004
Pacific Northwest Vegetable Association	May 17, 2004
Quincy-Columbia Basin Irrigation District	April 19, 2004
Samaritan Healthcare	April 6, 2004
Solar Grade Silicon LLC	May 3, 2004 (filed)
Washington State Potato Commission	May 3, 2004
Back Country Horsemen of Washington	April 22, 2004 (filed)
CRITFC	May 7, 2004
Grant County Economic Development Council	April 20, 2004
John Wayne Trail Wagons and Riders Association	May 1, 2004
Alaska DFG	May 7, 2004
Association of Grant County Cities and Towns	May 6, 2004
Grant County Board of County Commissioners	May 6, 2004

<u>Commenting Entity</u>	<u>Document Date</u>
Grant County Tourism	May 4, 2004
NMFS	May 3, 2004
Port of Matawa	April 6, 2004
Port of Warden	April 6, 2004
Port of Moses Lake, Grant County International Airport	April 26, 2004
U.S. Bureau of Indian Affairs	April 27, 2004
BOR	April 30, 2004
FWS	May 4, 2004
Washington Department of Natural Resources (Washington DNR), Recreation Dept.	April 29, 2004
Washington DFW	April 27, 2004
Washington Department of Ecology (Washington DOE)	April 30, 2004
Washington DNR, Natural Heritage	April 16, 2004
Yakama	May 7, 2004

1.5 AGENCY CONSULTATION

On March 25, 2005, the Commission issued a notice that the application was ready for environmental analysis and solicited comments, recommendations, terms and conditions, and prescriptions to be filed by May 24, 2005. The following entities responded:

<u>Entity</u>	<u>Date Filed</u>
CRITFC, jointly with the Yakama and the Confederated Tribes of the Umatilla Indian Reservation (Umatilla)	May 27, 2005
NMFS	May 27, 2005
Washington DFW	May 27, 2005
Interior	May 26, 2005
Alaska DFG	May 26, 2005
Washington DNR	May 31, 2005
Kittitas County Department of Public Works	May 26, 2005

Entity

Date Filed

Pat Kelleher (individual)

May 17 & 31, 2005

Terry W. Garrick (individual)

May 31, 2005

On July 8, 2005, Grant PUD filed comments in reply to the comments, terms and conditions recommended by the above listed entities.

1.6 COMMENTS ON THE DRAFT EIS

On February 24, 2006, we issued the draft EIS for relicensing the Project. A February 28, 2006, notice inviting comments on the draft EIS was published in the *Federal Register* on March 8, 2006. The notice specified that all comments be filed with the Secretary of the Commission by May 2, 2006. In addition, Commission staff held two public meetings on April 19, 2006, in Grant County, Washington to provide interested parties the opportunity to comment on the draft EIS. The comments given at these meetings were recorded and a transcription of the meeting placed in the Commission's record for this proceeding.

We have modified the text of the final EIS as appropriate in response to comments on the draft EIS. Appendix A lists the commenters, summarizes the comments, and presents our responses to those comments.