

Chapter 11  
KEEPING THE LIGHTS ON:  
SITING POWER GENERATION PROJECTS  
IN THE WEST DURING THE ENERGY CRISIS

Joseph E. Ronan, Jr.

Calpine Corporation  
Pleasanton, California

Craig Gannett

Davis Wright Tremaine  
Seattle, Washington

---

Synopsis

§ 11.01 **Scope**

§ 11.02 **Overview**

§ 11.03 **Siting in the West Involves a Unique Set of Challenges**

[1] **Pervasive Federal Land Ownership**

[2] **Extensive Tribal Lands**

[3] **Local Environmental Opposition  
(NIMBYs, BANANAs, and NOPEs)**

[4] **Competition for Scarce Water**

[5] **The Dominance of Federal Power  
Marketing Administrations**

§ 11.04 **Siting of Energy Facilities in the West—  
Case Studies**

[1] **Siting Obstacles Due to Project's  
Location on Federal Land and its  
Proximity to Tribal Land—Fourmile Hill  
Geothermal Project**

[a] **NEPA Review Significantly  
Impacted by Involvement of Nearby  
Native American Tribes**

- [b] **Consultations with the State Historic Preservation Office Caused Additional Delay**
  - [c] **The Involvement of EPA Environmental Justice Unit Exacerbated Delay**
  - [d] **The Department of the Interior's Lengthy Administrative Appeals Process Compounded Delay**
  - [2] **The "Poster Child" for NIMBYism—Metcalf Energy Center**
    - [a] **Delay in Processing of Biological Opinion**
    - [b] **Lack of Coordination or Double-Tracking of Federal Agency Review Magnifies the Delay**
    - [c] **Federal Agency Delay Creates Opportunities for Special Interests to Stall the Process**
  - [3] **Opportunities for Even a Single Individual to Cause Substantial Delay—Sutter Power Project**
  - [4] **Delay Due to State Siting Agency Insistence on Sale of Power Within the State—Sumas Energy 2 Generation Facility**
  - [5] **The Dominance of Federal Power Marketing Administrations in the West Creates Potential Delays Regarding Interconnection and Transmission Services for New Generation Facilities**
- § 11.05 Recommendations**
- [1] **The Problem**
  - [2] **A Partial Solution**

## § 11.06 A Survey of Siting Laws and Procedures From Selected Western States

- [1] Washington
  - [2] Oregon
  - [3] Arizona
  - [4] California
  - [5] Colorado
- 

### § 11.01 Scope<sup>1</sup>

This paper focuses on the siting of power plants in the West. Section 11.02 provides an overview of changes in demographics and power consumption in the West that have drastically increased the need for new plant siting. Section 11.03 discusses the constellation of issues that are unique to the siting of generating facilities in the West: (1) pervasive federal ownership of land, (2) extensive tribal lands, (3) local environmental and land use issues, (4) competition for scarce water; and (5) the fact that many of the high-voltage transmission lines in the West are owned and operated by the federal government.

Although some of the same problems arise in the siting of natural gas pipelines and electric transmission lines, those related infrastructure improvements are beyond the scope of this paper. Similarly, this paper does not address the siting of all types of power plants. The examples used consist of power plants fueled by natural gas or geothermal steam. Natural gas, which currently provides about 16% of U.S. electricity generation, is projected to fuel about 90% of the capacity additions

---

<sup>1</sup>Mr. Ronan is the Vice President for Government and Regulatory Affairs for the Calpine Corporation. Mr. Gannett is a partner in the law firm of Davis Wright Tremaine, LLP, Seattle, Washington office. Mr. Ronan and Mr. Gannett gratefully acknowledge the assistance of Jennifer Schubert, Patricia Thompson, Richard Glick, and Dan Adamson of Davis Wright Tremaine; Doug Nelson of Phoenix, Arizona; and Jeff Stahlhut of Holland and Hart, Denver, Colorado.

over the next 20 years.<sup>2</sup> Geothermal steam provides a useful example because it tends to be present on or near federal lands in the West.

Section 11.04 discusses power projects that illustrate how the five West-specific obstacles to development have manifested themselves. Section 11.05 suggests measures to overcome these obstacles and thereby fulfill the West's need for new generation in a more timely manner. Section 11.06 concludes the chapter by surveying briefly the state siting statutes of Washington, Oregon, Arizona, California, and Colorado, with an emphasis on potential sources of delay.

### § 11.02 Overview

The United States is facing a profound electricity shortage. California has suffered rolling blackouts that have cost businesses hundreds of millions of dollars, New York was threatened with similar problems during the summer of 2001, and Nevada experienced its first-ever blackout in July 2001.

Although the solution lies in a balanced approach, including conservation, energy efficiency, and renewable energy sources, it is clear that a new generation of large power plants will be essential. This is a central point of the report of Vice President Cheney's National Energy Policy Development Group (Cheney Report), submitted to President Bush on May 16, 2001. The Cheney Report estimates that between 1,300 and 1,900 new electric generation facilities will be needed over the next 20 years in order to meet projected demand.<sup>3</sup> By comparison, there are approximately 5,000 power plants in the United States today.<sup>4</sup>

In response to the recommendations of the Cheney Report, President Bush issued two Executive Orders on May 18, 2001. The first, Executive Order 13211, requires federal agencies to prepare and submit a Statement of Energy Effects to the Ad-

---

<sup>2</sup>Report of the National Energy Policy Development Group, May 2001, at 5-18 [hereinafter Cheney Report].

<sup>3</sup>*Id.* at xi.

<sup>4</sup>*Id.* at 7-5.

administrator of the Office of Information and Regulatory Affairs (OIRA), within the Office of Management and Budget (OMB), for those matters identified as significant energy actions. A significant energy action is defined essentially as any energy-related regulation that would have an annual effect on the economy of \$100 million or more.<sup>5</sup> The Statement of Energy Effects is to be a detailed statement by the agency of any adverse effects on energy supply, distribution, or use should the proposed energy action be implemented, as well as reasonable alternatives to the action and the expected effects of such alternatives.

The second, Executive Order 13212, requires federal agencies to expedite their review of permits or take other actions as necessary to accelerate the completion of energy-related projects. It also establishes an interagency Task Force to monitor and assist agencies in their efforts to expedite permit review, and to monitor and assist agencies in setting up appropriate mechanisms to coordinate federal, state, tribal, and local permitting in geographic areas where increased permitting activity is expected. The Task Force consists of representatives of 20 departments, agencies, and councils,<sup>6</sup> is to be chaired by the Chairman of the Council on Environmental Quality, and is housed at the Department of Energy for administrative purposes.

---

<sup>5</sup>Exec. Order No. 13,211, § 4(b), 66 Fed. Reg. 28,355 (May 18, 2001). Section 4(b) of Executive Order No. 13,211 defines "significant energy action" as any regulatory action that is a "significant regulatory action" under Executive Order No. 12,866 (the seminal 1993 Executive Order on federal regulatory planning and review) and that is likely to have a significant adverse effect on the supply, distribution, or use of energy. Executive Order No. 12,866 defines "significant regulatory action" essentially as any regulation that may have an annual effect on the economy of \$100 million or more. Exec. Order No. 12,866, § 3(f), 58 Fed. Reg. 51,735 (Sept. 30, 1993).

<sup>6</sup>The Task Force includes representatives of the Departments of State; the Treasury; Defense; Agriculture; Housing and Urban Development; Justice; Commerce; Transportation; the Interior; Labor; Education, Health and Human Services; Energy; Veterans Affairs; and also of the Environmental Protection Agency; the Central Intelligence Agency; the General Services Administration; the Office of Management and Budget; the Council of Economic Advisors; the Domestic Policy Council; the National Economic Council; and such other representatives as may be determined by the Chairman of the Council on Environmental Quality. Exec. Order No. 13,212, § 3, 66 Fed. Reg. 28,357 (May 18, 2001).

Power plants are but one key component in an overall energy infrastructure that is both inadequate and antiquated. Thousands of miles of natural gas pipelines and power transmission lines will have to be sited if a durable solution is to be found to the crisis. According to the Cheney Report, the current domestic natural gas transmission capacity of approximately 23 trillion cubic feet will be insufficient to meet the projected 50% increase in consumption projected for 2020.<sup>7</sup> Similarly, over the next 10 years, U.S. demand for electric power is expected to increase by 25%, while transmission capacity is expected to increase by only 4%.<sup>8</sup>

The West is currently the epicenter of the energy crisis due to the continuing drought in the Northwest and the way that electricity restructuring was implemented in California. The fundamental problem in the West is that a fast-growing population has been enjoying economic growth without simultaneously building the electrical infrastructure to support continued prosperity.

In the 1990s, the West experienced the highest population growth rate (19.7%) of any region of the country, followed by the South (17.3%), the Midwest (7.9%), and the Northeast (5.5%).<sup>9</sup> This is the continuation of a trend in recent decades. Between 1950 and 2000, the West's share of the nation's population has increased from 13% to 22%, and the South has increased from 31% to 36%. Meanwhile, the Midwest's share fell from 29% to 23%, and the Northeast's portion declined from 26% to 19%.<sup>10</sup> The bar chart below provides a sense of how population growth and the installation of new generating capacity are seriously out of alignment in the West.

---

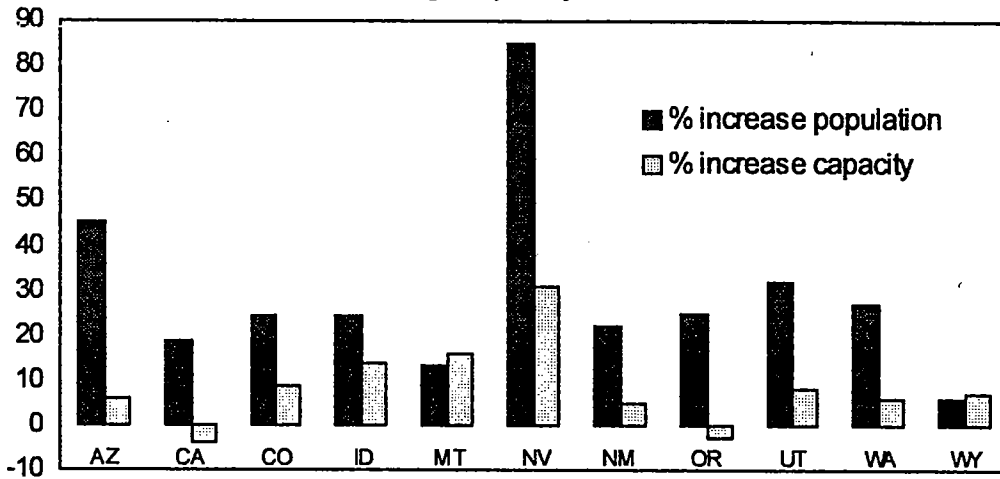
<sup>7</sup>Cheney Report, *supra* note 2, at 7-11.

<sup>8</sup>*Id.* at 7-8.

<sup>9</sup>U.S. Census Bureau, Economics & Statistics Admin., U.S. Dep't of Commerce, *Population Change and Distribution, 1990 to 2000, Census 2000 Brief* (Apr. 2001).

<sup>10</sup>Cheney Report, *supra* note 2, at 2-3.

Increase in Population vs. Increase in  
Generating Capacity, 1988-2000



California and the Pacific Northwest are particularly in need of new generation. Since 1995, California's peak summer demand has risen by at least 5,500 megawatts (MW), while in-state generation has failed to keep pace.<sup>11</sup> In fact, California did not add a single new major power plant during the 1990s.<sup>12</sup> In the Northwest, demand for electricity has grown by 24% in the last decade while generating capacity has grown by only 4%.<sup>13</sup> To make matters worse, the hydroelectric system, upon which the region historically has depended, has lost significant flexibility of operation due to the Endangered Species Act, effectively derating it by about 1,000 MW.<sup>14</sup>

The shortage in the West is having devastating financial consequences. In 1999, Californians paid approximately \$7 billion for electricity; in 2000, \$28 billion; in 2001, the expectation is a whopping \$70 billion. Pacific Gas and Electric is in bankruptcy, and Southern California Edison may not be

<sup>11</sup>*Id.* at 1-3.

<sup>12</sup>*Id.* at viii.

<sup>13</sup>Testimony of Councilmember Tom Karier, on behalf of the Northwest Power Planning Council, to the U.S. Senate Energy & Natural Res. Comm., Feb. 1, 2001.

<sup>14</sup>*Id.*

far behind. The result is that this crisis will harm California's economy—the fifth largest in the world—for years to come.

### § 11.03 Siting in the West Involves a Unique Set of Challenges

The West confronts a unique constellation of obstacles that delay the siting of new facilities. As a result, the siting process in the West is generally longer, less predictable, and more expensive than in other regions of the country. At least five distinctly Western factors are at play:

#### [1] Pervasive Federal Land Ownership

The federal government owns a much higher percentage of land in the West than it does in other regions of the country. Of the 48 contiguous states, federal land ownership in the 11 western-most states ranges from 27.6% in Montana to 82.9% in Nevada, while most states in other regions are well below 10%.<sup>15</sup> Thus, potential sites for generation facilities are more likely to be on or near federal land in the West. When federal land is involved, the permitting process is more likely to require the approval of one or more federal agencies (in addition to state and local agencies) than when a project is located on private land.

#### [2] Extensive Tribal Lands

Potential sites in the West are more likely to be located near Indian lands. There are about 275 Indian reservations in the United States, consisting of approximately 56.2 million acres of land.<sup>16</sup> Most of the reservations are in the West, including the largest, the 16 million-acre Navajo Reservation in Arizona, New Mexico, and Utah.<sup>17</sup> The presence of such land anywhere near the proposed site can cause delay due to the increased involvement of federal agencies and tribal members in the siting process. Executive Order 13175, issued on November 6,

---

<sup>15</sup>185 *Public Lands Statistics 2000* (Mar. 2001), at <http://www.blm.gov/natacq/pls00/contents.html>.

<sup>16</sup>U.S. Dep't of the Interior, Bureau of Indian Affairs, "Frequently Asked Questions," at <http://www.doi.gov/bia/oirm/faq.htm>.

<sup>17</sup>*Id.*



2000, further complicates this issue by requiring extensive consultation with tribal officials in the development of federal policies that have substantial direct effects on Indian tribes.<sup>17.1</sup>

### **[3] Local Environmental Opposition (NIMBYs, BANANAs, and NOPEs)<sup>18</sup>**

The Not-in-My-Back-Yard (NIMBY) response to new power plants is thriving in the West. Aided by both federal and state law, local environmental opponents have many opportunities to stall projects for long periods of time.<sup>18.1</sup> Among other things, this helps explain why no major power plants were built in California in the 1990s.

### **[4] Competition for Scarce Water**

Water issues loom large in the West. In the Southwest, burgeoning populations are outstripping existing water supplies, making it increasingly difficult to secure water for power production. In the Northwest, the listing of endangered species of fish has caused state and federal agencies to stringently guard in-stream flow. Large power plants can consume enough water to supply a small city, utilizing up to 40,000 acre-feet of fresh water per year. In Arizona, nine of the 14 plants currently in the licensing process will use fresh-water cooling, and in California 14 of 28 also will tap this resource. California water officials estimate that the state's current demand for water already outstrips supply by more than 1.6 million acre-feet per year without taking into account the proposed use by new power plants.

### **[5] The Dominance of Federal Power Marketing Administrations**

A high percentage of the West is served by two federal power marketing administrations (PMAs): the Bonneville Power Administration (BPA) and the Western Area Power Administra-

---

<sup>17.1</sup>Exec. Order No. 13,175, 65 Fed. Reg. 67,249 (Nov. 6, 2000).

<sup>18</sup>NIMBY is an acronym for "Not In My Back Yard," BANANA stands for "Build Absolutely Nothing Anywhere Near Anything," and NOPE stands for "Not On Planet Earth."

<sup>18.1</sup>See *infra* § 11.04 for case studies.

tion (WAPA). BPA is the more prominent of the two, owning and operating about 75% of the high-voltage transmission lines in the Northwest. Although both BPA and WAPA have voluntarily submitted open-access transmission tariffs to the Federal Energy Regulatory Commission (FERC), neither was legally bound to do so. Because they are not subject to the full extent of FERC jurisdiction that is applied to investor-owned transmission owners, and because they serve in the dual role of transmission provider and governmental policymaker, interconnecting new generation facilities to the PMAs can be a source of delay.

#### **§ 11.04 Siting of Energy Facilities in the West— Case Studies**

##### **[1] Siting Obstacles Due to a Project's Location on Federal Land and its Proximity to Tribal Land—Fourmile Hill Geothermal Project**

The Fourmile Hill Geothermal Project is an example of the problems that can arise when developing an energy project on federal land that is located near tribal land. For more than six years, this project has been in the permitting process. It lies in the Klamath and Modoc National Forests in Northern California, approximately 30 miles south of the Oregon border, within the Glass Mountain Known Geothermal Resource Area (KGRA).

The Bureau of Land Management (BLM) issued geothermal leases to the project developers for the development of the Glass Mountain KGRA approximately 15 years ago. The projects are located entirely on federal land. It is estimated that the Glass Mountain KGRA is capable of generating up to 1,000 MW, enough to meet the electricity needs of a city the size of Seattle.

Calpine Corporation and California Energy General Corporation (CalEnergy) have been attempting to develop this resource under a program initially sponsored by BPA, which, in turn, has agreed to purchase a portion of the power generated from the KGRA. In addition, the Fourmile Hill project was awarded a \$20 million grant from the California Energy

Commission's Renewable Energy Program to encourage the development of the project.

The environmental impact statement (EIS) process was initiated by Calpine in 1996, and the final EIS was published in October 1998. Nineteen months later, on May 31, 2000, the Records of Decision (RODs) were issued by BLM and the U.S. Forest Service (Forest Service). Although the RODs approved the Calpine plan of operation, the agencies imposed significant conditions on the construction of the project. (The CalEnergy application was denied by the agencies, and CalEnergy has filed a "takings" claim in the U.S. Court of Federal Claims.<sup>18.2</sup>) In addition, BLM placed a moratorium on further geothermal development in the Glass Mountain KGRA for a minimum of five years, effectively preventing the production of electricity for nearly an additional decade. Calpine has appealed the conditions imposed in the ROD and the imposition of the moratorium to the Interior Board of Land Appeals (IBLA). Experience has demonstrated that an appeal to IBLA averages nearly 22 months before a decision is issued.

At least four factors significantly affected the timing of permitting this project:

**[a] NEPA Review Significantly  
Impacted by Involvement of  
Nearby Native American Tribes**

As part of the National Environmental Policy Act (NEPA) review, the project developer, Calpine, funded an ethnographic study as a mitigation measure and as a goodwill gesture to the local tribes. The study sought to establish and record tribal customs and historical uses of the area near Glass Mountain known as the Medicine Lake Highlands. Calpine recognized the importance of Native American concerns regarding the project, and met extensively with the three tribes identified in the ethnographic study as having historically used the Medicine Lake Highlands. Calpine ultimately entered into agreements with two of the tribes. A third tribe, the Pit River Tribe, whose

---

<sup>18.2</sup>Cal. Energy Gen. Corp. v. United States, No. 00-619C (Fed. Cl. filed Oct. 17, 2000). The action also includes a breach of contract claim based on the BLM leases.

lands are located about 35 miles from the Glass Mountain KGRA, remains opposed to the project.

Nevertheless, the final EIS indicated that the project would have an adverse effect on Native American traditional cultural values with respect to noise and landscape views, because the geothermal development would degrade the spiritual significance of Medicine Lake Highlands as a sacred site. Significantly, the Medicine Lake Highlands contain paved roads, a campground, cabins, a boat ramp, motorboats, a snowmobile park, and an active pumice mine. At one time, the entire area was logged.

#### **[b] Consultations with the State Historic Preservation Office Caused Additional Delay**

As a result of the adverse effect determination, the Forest Service and BLM completed consultations with the State Historic Preservation Office (SHPO) and the Advisory Council on Historic Preservation before issuing their RODs. Because the SHPO and the Advisory Council consultations were not concluded expeditiously, and the Forest Service did not press for a conclusion, the RODs approving the project were not signed until almost 20 months after completion of the final EIS.

#### **[c] The Involvement of EPA Environmental Justice Unit Exacerbated Delay**

Very late in the process, after the comment period for the final EIS had expired, the Environmental Justice staff of EPA Region IX became involved at the request of the Pit River Tribe. EPA requested the lead federal agencies to issue a negative ROD,<sup>18.3</sup> even though EPA had been a cooperating agency in the NEPA review process. EPA also wrote to the California Energy Commission seeking delay in signing final agreements for state funding of the project.<sup>18.4</sup> Such involvement resulted in

---

<sup>18.3</sup>Letter from Enrique Manzanilla, Director, Cross Media Division, U.S. EPA Region IX, to Randall Sharp, BLM/USFS Project Coordinator, Alturas, California (Apr. 5, 1999).

<sup>18.4</sup>Letter from Enrique Manzanilla, Director, Cross Media Division, U.S. EPA Region IX, to Michael Moore, Presiding Member for Renewable Energy, Cal. Energy Comm'n (undated).

meetings between the agencies and the Pit River Tribe that took months to resolve.

**[d] The Department of the Interior's Lengthy  
Administrative Appeals Process  
Compounded Delay**

After the RODs approving the project were issued, project opponents filed appeals that sought to overturn the decision. The Forest Service promptly denied all appeals. However, as noted above, BLM decisions are appealed to IBLA, which presently has a 22-month backlog of cases. When project opponents requested a stay of project development pending the outcome of the appeal, IBLA granted it.

With the change in the Administration in Washington, D.C., and the subsequent issuance of the two Executive Orders, the official attitude toward development of this resource may be changing dramatically. On June 15, 2001, BLM lifted the five-year moratorium previously imposed, citing the energy policy outlined in the Cheney Report and Executive Order 13212.

**[2] The "Poster Child" for NIMBYism—  
Metcalf Energy Center**

Calpine's \$400 million, 600-megawatt Metcalf project in California's Silicon Valley is intended as a "showcase" project, cleaner than any plant its size ever licensed in California. Extraordinary care has been taken in the design of the project to minimize aesthetic impact. Moreover, the site currently is a junkyard unsuitable for most development, and is located directly across the street from the Pacific Gas and Electric Company's 40-acre Metcalf substation, the main hub for electricity in the South Bay. The need for the project is pressing, as the Silicon Valley has no major power plants, while its population has grown by more than 50% since 1970, and its electricity usage has been expanding at approximately 13% per year.

The California Energy Commission deemed the project data adequate on June 23, 1999, and conducted its first public hearing on July 12, 1999. In the most contested and controversial power plant application proceeding in the 27-year history of the Commission, the Commission issued 50 Orders and Rulings,

and held 20 public hearings and 30 workshops. Finally, on June 18, 2001, the Commission issued its final recommendation of approval, with final Commission action expected in August 2001, 26 months after the data adequacy finding.

The project was delayed on a number of local, state, and federal fronts. Some of the most significant roadblocks have involved federal regulatory approvals.

#### **[a] Delay in Processing of Biological Opinion**

Although the U.S. Fish and Wildlife Service (USF&WS) is required by statute and regulation to provide a “biological opinion” within 135 days of the date formal consultation is initiated (with provisions for extension in certain circumstances),<sup>18.5</sup> in practice securing a biological opinion from the USF&WS has presented significant potential for delay. Delay in issuance of the biological opinion in this case contributed to the delay in development of the project.

#### **[b] Lack of Coordination or Double-Tracking of Federal Agency Review Magnifies the Delay**

The Metcalf project has also been seriously affected by EPA’s apparent inability to move forward on the required Prevention of Significant Deterioration (PSD) air permit as a result of the USF&WS’ delays. Processing of an application would be much more timely if the analyses required under these two permitting procedures were managed simultaneously. Following the issuance of the PSD permit by EPA, an appeal was filed immediately with the EPA Environmental Appeals Board (EAB), where the matter now rests. Just as in the case of the Fourmile Hill Project, construction of the project cannot begin until the appeal is decided by the EAB.

#### **[c] Federal Agency Delay Creates Opportunities for Special Interests to Stall the Process**

Federal delays also tend to foster local delays by providing additional time for project opponents to mobilize and encourage other NIMBY complaints. Since early 1999, Calpine has

---

<sup>18.5</sup> 16 U.S.C.A. § 1536(b)(1)(A) (2000), 50 C.F.R. § 402.14(e) (2000).

participated in over 50 public meetings or hearings regarding the Metcalf project, and has responded to more than 300 written data requests. During this period the Mayor and City Council of San Jose, with the active support of Cisco Systems, Inc., and a neighborhood group opposed the project, resulting in a denial of a rezoning request by an 11-0 vote of the San Jose City Council on November 28, 2000.<sup>18.6</sup> The Mayor and City Council subsequently reversed their position, in June 2001, and construction of the project is expected to be completed in the summer of 2003.

### **[3] Opportunities for Even a Single Individual to Cause Substantial Delay—Sutter Power Project**

Calpine's Sutter Power Project, a \$350 million, 540-megawatt natural gas-fueled power plant near Yuba City, California, is now providing power to more than 500,000 households in the greater Sacramento Valley, having gone on line on July 2, 2001. Coincidentally, Northern California experienced a severe heat wave that day, nearly causing a blackout. State officials credited energy from the Sutter facility on that day for preventing the blackout. It was the first thermal power plant approved by the California Energy Commission since it came into existence in 1974.

This project was delayed five months and Calpine incurred substantial expense as a result of a single individual appealing the facility's PSD permit to the EAB. Any such appeal to EAB effectively creates an automatic stay of any construction until the appeal has been decided. Due to the EAB's considerable backlog of cases, this single appeal consumed five months of construction time before it was denied on December 2, 1999. Construction started immediately, but eight months after final approval was received from the State of California, meaning that the plant was not operational during a period when the state experienced numerous rolling blackouts.

---

<sup>18.6</sup>For reports on the events and background surrounding this controversy, see Chris Gaither, "Silicon Valley's Achilles' Heel is Exposed," *N.Y. Times*, Jan. 12, 2001; John Greenwald, "The New Energy Crunch," *Time Mag.*, Jan. 29, 2001, at 36; Mark Arax & Terence Monmoney, "The California Energy Crisis, Power Plant Juggernaut Slowed by Internet Giant," *L.A. Times*, Jan. 10, 2001, Home Edition, pt. A, at A-1.

#### **[4] Delay Due to State Siting Agency Insistence on Sale of Power Within the State—Sumas Energy 2 Generation Facility**

The proposal to build a 660-MW gas-fired facility in Sumas, Washington, illustrates the obstacle to facility siting presented when the state siting agency requires that power from the project be sold within the state.

The Washington State Energy Facility Site Evaluation Council (Council) recommended against the application of Sumas Energy 2, Inc. (SE2) on February 16, 2001. That recommendation was based in part on the Council's conclusion that the environmental costs of the generation facility would not be adequately counterbalanced by benefits to consumers in Washington State because the facility owners might sell power to out-of-state purchasers.

This conclusion ignores the fact that the West is one electricity market, consisting of all customers served by the transmission system known as the Western interconnection. Power generated anywhere in the Western interconnection benefits all customers on that system by increasing supply.

SE2 moved the Council for reconsideration of its recommendation. In doing so, SE2 offered to agree to long-term contracts to sell much of the output in Washington State. The Council denied the motion, thereby necessitating the submission of a revised application and the taking of additional evidence, but indicated that it would consider favorably the revised application now that SE2 had committed to the in-state sales.

#### **[5] The Dominance of Federal Power Marketing Administrations in the West Creates Potential Delays Regarding Interconnection and Transmission Services for New Generation Facilities**

Two agencies within the Department of Energy, BPA and WAPA, own much of the transmission system in the West. BPA owns and operates about 75% of the high-voltage transmission lines in the Northwest, and WAPA owns and operates nearly 17,000 miles of transmission lines that stretch across



