Comment Set A0030
U.S. Environmental Protection Agency

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, CA 94105-3901

April 3, 2008

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Subject: Draft Environmental Impact Report/Environmental Impact Statement (DEIR/EIS) for the Sunrise Powerlink Project and Proposed Land Use Amendment (CEQ# 20080002)

Dear Ms. Blanchard and Ms. Kastoll:

The U.S. Environmental Protection Agency (EPA) has reviewed the DEIR/EIS referenced above. Our review and comments are provided pursuant to the National Environmental Policy Act (NEPA), the Council on Environmental Quality (CEQ) Regulations (40 CFR Parts 1500-1508), and our NEPA review authority Section 309 of the Clean Air Act.

The Sunrise Powerlink Project (SRPL) is a proposal by the San Diego Gas & Electric Company (SDG&E) to construct a 150-mile transmission line from the Imperial Valley to coastal San Diego (Northern Route Alternative – Proposed Project). SDG&E proposes to construct this transmission line to maintain reliability, reduce the cost of energy, and accommodate the delivery of renewable energy.

EPA commends the California Public Utilities Commission (CPUC) and the Bureau of Land Management (BLM) for providing a comprehensive document and examining a wide range of alternatives. Many issues, such as greenhouse gas emissions, were addressed in a progressive manner, and the DEIR/EIS contained comprehensive lists of proposed mitigation measures for environmental impacts. EPA recognizes the complexity of the proposal and supports an alternative that assures a long-term, sustainable balance between available energy supplies, energy demand, and protection of ecosystems and human health. We support the development of renewable resources, and we acknowledge that lack of available transmission capacity is frequently a deterrent in the development of these resources. However, the goals of providing additional grid reliability, promoting renewable energy, and reducing energy costs should be carefully balanced.

A0030-1

Since the Preferred Alternative has not been identified, our rating is based on the Proposed Project. Based on our review of the document, we have rated this DEIR/EIS as EC-2, Environmental Concerns – Insufficient Information (See attached "Summary of EPA Rating System"). We are concerned that the DEIR/EIS does not adequately address basic project

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objectives, including the demonstration of purpose and need and the disclosure of costs and benefits associated with the various alternatives. We are concerned that the Proposed Project could have significant adverse impacts to watershed resources, air quality, and, in particular, the Anza-Borrego Desert State Park. These impacts should be avoided to the extent possible in order to fully protect the environment. We recommend that the Final Environmental Impact Report/ Environmental Impact Statement (FEIR/EIS) include additional information related to the basic project objectives, the disclosure of economic benefits, and a comparison of costs associated with the alternatives. The FEIR/EIS should also provide additional information regarding impacts to water resources, air quality, and project conformity with the State Implementation Plan. Our detailed comments are enclosed.

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From the perspective of environmental stewardship, we encourage the CPUC and BLM to consider the Environmentally Superior Alternatives over the Proposed Project. We also believe that the *No Project/No Action Alternative* has merit, as the DEIR/EIS states that its impacts were equivalent to the Alternatives ranked #1, #2, and #3. We recommend updating the *No Project/No Action Alternative* in the FEIR/EIS, based on the most recent data available.

We appreciate the opportunity to review this DEIR/EIS and we are available to answer questions you may have regarding our comments. We request one copy of the FEIS/EIR when it is officially filed with our Washington, D.C. office. If you have any questions, please call me at (415) 972-3846, or have your staff contact Ann McPherson at (415) 972-3545 or mcpherson.ann@epa.gov.

Sincerely,

Nova Blazej, Manager
Environmental Review Office

Enclosure: Summary of Rating Definitions
Detailed Comments

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SUMMARY OF EPA RATING DEFINITIONS [1]

This rating system was developed as a means to summarize EPA's level of concern with a proposed action. The ratings are a combination of alphabetical categories for evaluation of the environmental impacts of the proposal and numerical categories for evaluation of the adequacy of the EIS.

ENVIRONMENTAL IMPACTS OF THE ACTION

"LO" (Lack of Objections)
The EPA review has not identified any potential environmental impacts requiring substantive changes to the proposal. The review may have disclosed opportunities for application of mitigation measures that could be accomplished with no more than minor changes to the proposal.

"EC" (Environmental Concerns)
The EPA review has identified environmental impacts that should be avoided in order to fully protect the environment. Corrective measures may require changes to the preferred alternative or application of mitigation measures that can reduce the environmental impact. EPA would like to work with the lead agency to reduce these impacts.

"EO" (Environmental Objections)
The EPA review has identified significant environmental impact that must be avoided in order to provide adequate protection for the environment. Corrective measures may require substantial changes to the preferred alternative or consideration of some other project alternative (including the no action alternative or a new alternative). EPA intends to work with the lead agency to reduce these impacts.

"EU" (Environmentally Unsatisfactory)
The EPA review has identified adverse environmental impacts that are of sufficient magnitude that they are unsatisfactory from the standpoint of public health or welfare or environmental quality. EPA intends to work with the lead agency to reduce these impacts. If the potentially unsatisfactory impacts are not corrected at the final EIS stage, this proposal will be recommended for referral to the CEQ.

ADEQUACY OF THE IMPACT STATEMENT

"Category 1" (Adequate)
EPA believes the draft EIS adequately sets forth the environmental impact(s) of the preferred alternative and those of the alternatives reasonably available to the project or action. No further analysis or data collection is necessary, but the reviewer may suggest the addition of clarifying language or information.

"Category 2" (Insufficient Information)
The draft EIS does not contain sufficient information for EPA to fully assess environmental impacts that should be avoided in order to fully protect the environment, or the EPA reviewer has identified new reasonably available alternatives that are within the spectrum of alternatives analyzed in the draft EIS, which could reduce the environmental impacts of the action. The identified additional information, data, analyses, or discussion should be included in the final EIS.

"Category 3" (Inadequate)
EPA does not believe that the draft EIS adequately assesses potentially significant environmental impacts of the action, or the EPA reviewer has identified new, reasonably available alternatives that are outside of the spectrum of alternatives analyzed in the draft EIS, which should be analyzed in order to reduce the potentially significant environmental impacts. EPA believes that the identified additional information, data, analyses, or discussions are of such a magnitude that they should have full public review at a draft stage. EPA does not believe that the draft EIS is adequate for the purposes of the NEPA and/or Section 309 review, and thus should be formally revised and made available for public comment in a supplemental or revised draft EIS. On the basis of the potential significant impacts involved, this proposal could be a candidate for referral to the CEQ.

[1] From EPA Manual 1640, Policy and Procedures for the Review of Federal Actions Impacting the Environment.

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EPA DETAILED COMMENTS ON THE DRAFT ENVIRONMENTAL IMPACT REPORT/ ENVIRONMENTAL IMPACT STATEMENT (DEIR/EIS) FOR THE SUNRISE POWERLINK PROJECT AND PROPOSED LAND USE AMENDMENT, APRIL 3, 2008

Project Description

The Sunrise Powerlink (SRPL) Project is a proposal by the San Diego Gas & Electric Company (SDG&E) to construct a 150-mile transmission line from the Imperial Valley to coastal San Diego (Northern Route Alternative – Proposed Project). The DEIR/EIS presents a detailed analysis of the Proposed Project and 27 alternatives to the Proposed Project. The 27 alternatives include minor routing adjustments to the Proposed Project, entirely different transmission line routes, "non-wires" alternatives including conventional and alternative energy technologies, system alternatives, and a *No Project/No Action* alternative.

The California Public Utilities Commission (CPUC) and Bureau of Land Management (BLM) have identified seven alternatives that were evaluated in detail within the DEIR/EIS and ranked each of them in terms of environmental superiority: 1) *New In-Area All-Source Generation Alternative*; 2) *New In-Area Renewable Generation Alternative*; 3) *Lake Elsinore Advanced Pump Storage (LEAPS) Transmission-Only Alternative*; 4) *Environmentally Superior Southern Route (SWPL) Alternative*; 5) *Environmentally Superior Northern Route Alternative*; 6) *Northern Route Alternative (Proposed Project)*; 7) *LEAPS Generation and Transmission Alternative*. In addition, a *No Project/No Action Alternative* scenario was also evaluated. The CPUC identified the *New In-Area All-Source Generation Alternative* as the Environmentally Superior Alternative, as required under the California Environmental Quality Act (CEQA). The BLM will identify the agency's Preferred Alternative in the Final Environmental Impact Report/Environmental Impact Statement (FEIR/EIS).

Purpose and Need

The CPUC and the BLM identified three basic project objectives for the SRPL Project: 1) to maintain reliability in the delivery of power to San Diego region; 2) to reduce the cost of energy in the region; and 3) to accommodate the delivery of renewable energy to meet State and Federal renewable energy goals from geothermal and solar resources in the Imperial Valley and wind and other sources in San Diego County (pg. A-6). In addition to the SRPL Project, the DEIR/EIS evaluates five other projects that are closely related to the Proposed Project, including the La Rumorosa wind project, a 250 megawatt (MW) wind facility located near La Rumorosa, Mexico (Section B.6.2).

Importation of Renewable Energy

A0030-2

Sempra Generation, on behalf of Baja Wind U.S. Transmission LLC, applied for a Presidential Permit to construct, operate, maintain, and connect an electric transmission line across the U.S. border with Mexico (Federal Register, February 22, 2008). The proposed transmission line would extend approximately one mile inside the U.S. and two miles inside Mexico and connect to SDG&E's existing Southwest Powerlink 500 kilovolt (kV) transmission line. The Federal Register notice states that the proposed transmission line would be used to transmit the entire electrical output (1,250 MW) of the La Rumorosa wind generators from Mexico to the U.S. The DEIR/EIS, however, states that only about 1,000 MW of in-basin

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generation or transmission import capacity would be required to replace the Proposed Project (pg. ES-4) and that the existing Southwest Powerlink transmission line could only accommodate about 300 MW of wind energy (pg. C-150). If the existing transmission system is capable of incorporating an additional 1,250 MW of renewable energy, this would seem to refute one of the major reasons to develop the SRPL Project, namely the need to bring renewable energy resources to San Diego County.

A0030-2 cont.

Recommendations:
The FEIR/EIS should address whether there is still a need for the Proposed Project if the existing system is capable of transmitting up to 1,250 MW of renewable energy from La Rumorosa. If there is still a need, this action should be analyzed in the context of the *No Project/No Action Alternative*, also discussed below.

The FEIR/EIS should discuss the Presidential Permit application and the effect of this action on the Proposed Project. The CPUC and BLM should clarify why the DEIR/EIS considered the 250 MW Rumorosa Wind Developers II project, instead of the larger 1,250 MW project, as an "indirect effect" of the Proposed Project.

The FEIR/EIS should clarify whether there is a preference for the importation of renewable energy from a specific location, such as Imperial County. If there is a documented preference to import renewable energy from Imperial County, as opposed to Mexico, SDG&E should consider whether there is existing capacity within the system to import renewable energy from the Imperial Valley, in addition to, or in lieu of importing energy (renewable or non-renewable) from Mexico.

EPA recommends that the FEIR/EIS disclose: 1) the current available capacity of the existing Southwest Powerlink 500 kV transmission line; 2) the estimated capacity of the Southwest Powerlink 500 kV transmission line in future years; and 3) to what degree the line is capable of importing renewable energy from La Rumorosa, Imperial County, and San Diego County.

The FEIR/EIS should clarify whether the importation of renewable energy from Mexico, such as wind energy from La Rumorosa, is eligible for credit within the California Renewables Portfolio Standard Program.

Cost-Benefit Analysis

A0030-3

The CPUC and BLM state that the second basic project objective of the SRPL Project is to reduce the cost of energy in the region. The 6-volume DEIR/EIS, however, does not contain an economic or cost-benefit analysis of the various alternatives. Consequently, it is difficult to evaluate to what degree this objective will be met based on the information presented in the text.

Recommendation:
The FEIR/EIS should include a detailed cost-benefit analysis of the Proposed Project and the various alternatives.

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Otay Mesa Energy Center

A0030-4

The CPUC authorized SDG&E to sign a 10-year power purchase agreement (PPA) with Calpine for the purchase of energy from the Otay Mesa Energy Center (573 MW) in 2006. In conjunction with this project, the utility also signed agreements for the building of two peaker plants. During a rehearing on the application, questions were raised regarding whether the PPA would provide ratepayer benefits. Several parties questioned the wisdom of approving a 10-year PPA that gave SDG&E 573 MW of capacity starting in 2008, when the utility needs little of that energy until 2011 (CPUC Decision 06-02-031, February 16, 2006). The CPUC found that the Otay Mesa Energy Center is in a location that will allow SDG&E to meet its grid reliability needs, its resource adequacy requirements, its local area requirements, and be fully deliverable. By June 2006, SDG&E and Calpine reached an agreement whereby the plant's commencement date was changed from January 2008 to May 2009 and SDG&E would have an ownership option following the expiration of the ten-year PPA. This project, however, was only briefly mentioned in the DEIR/EIS.

Recommendation:
With the option to purchase the Otay Mesa Energy Center, SDG&E will have the opportunity to secure energy from a clean power source for 30 plus years. The FEIR/EIS should discuss this project in greater detail and clarify whether this additional power source will impact the basic purpose and need for the Proposed Project as described in the DEIR/EIS. As appropriate, this project should be analyzed in the context of the *No Project/No Action Alternative*, also discussed below.

Alternatives Analysis

Comparison of Alternatives

A0030-5

Although the CPUC ranks the Environmentally Superior Alternatives, the information used to rank the final selection of alternatives is not presented within the Executive Summary in a way that provides the reader with a clear comparison of the various alternatives and their environmental effects, other than what is summarized qualitatively on pages ES-2 through ES-4. We recognize that the number of significant, unmitigable impacts does not, in fact, represent the relative extent and scale of the potential impacts. It would be misleading to use this number as the final measure of impact significance, given the wide range of uncertainties associated with many of the alternatives, the completely different alternative generation methods, and the lack of quantification of environmental impacts. As the DEIR/EIS states, the comparison of different generation alternatives against each other and against transmission alternatives is extremely difficult, since the impacts are very different. Although we found additional information in Section H, we still experienced difficulty in understanding how the final conclusions were drawn.

Recommendations:
The FEIR/EIS should include a concise summary of the environmental impacts associated with each of the eight alternatives and include this information in the Executive Summary. The potential environmental impacts of each alternative should be quantified to the greatest extent possible (e.g., acres of wetlands impacted, tons per year

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of emissions produced, etc.) and summarized. EPA suggests creating a matrix that rates each of the alternatives on each of the selection criteria and including this information in the Executive Summary.

A0030-5 cont.

The FEIR/EIS should discuss how unquantified environmental impacts (such as a reduction of air pollutants) have been determined in the environmental analysis.

The FEIR/EIS should include a concise summary of the cost-benefit analysis of the Proposed Project and the various alternatives. This information should also be included in the Executive Summary.

Levels of Significance

A0030-6

The DEIR/EIS states that levels of significance are defined by classification (pg. ES-67). Class I is used to identify significant and unavoidable impacts; Class II is used to identify significant impacts that can be mitigated to a less than significant level; Class III is used to identify adverse but less than significant impacts; and Class IV is used to identify beneficial impacts. Tables ES-1 and ES-2 identify Class I and Class II impacts of the Proposed Project; Tables ES-3 and ES-4 identify Class I and Class II impacts of the Proposed Project's Future Transmission System Expansion; and Tables ES-5 and ES-6 identify Class I and Class II impacts of the Proposed Project's Connected Actions (pg. ES-67).

Recommendation:
The DEIR/EIS does not clarify how the determination is made as to Class I, Class II, and Class III impacts. The FEIR/EIS should define the thresholds of significance used to make this determination for each resource.

Simultaneous Regulatory Review by State and Federal Agencies

A0030-7

The LEAPS project is currently undergoing review by the Federal Energy Regulatory Commission (FERC). It is unclear what impact the FERC review could have on the SRPL Project. For example, should FERC issue a license for the LEAPS project (with or without generation) and should the CPUC and BLM select an alternative other than LEAPS, will both projects proceed simultaneously or will the agencies reexamine the issue after FERC issues their decision? Conversely, if FERC decides not to issue a license for the LEAPS project, and the CPUC and BLM select the LEAPS Transmission-Only Alternative, what would happen? We note that FERC recently approved transmission rate incentives in conjunction with the LEAPS transmission line.

Recommendation:
EPA recommends that the FEIR/EIS include an update of the FERC permitting/licensing process for the LEAPS project (FERC Project No. 11858) and discuss measures to ensure interagency coordination in the feasibility analysis of different alternatives under consideration.

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LEAPS Alternatives

A0030-8

Environmentally Superior Alternative #3 is identified as the *LEAPS-Transmission Only Alternative* and Environmentally Superior Alternative #7 is identified as the *LEAPS Generation and Transmission Alternative*. We note that EPA submitted comment letters on the DEIS (April 27, 2006) and FEIS (March 5, 2007) for the LEAPS-Generation project. We expressed concerns about the project because of its potential significant adverse impacts to watershed resources, including water quality and habitat, and to air quality. During the review of the FEIS, we continued to express concerns because we found that the document did not fully disclose the project's potential impacts and identify appropriate mitigation measures. Nor did the FEIS provide sufficient information to determine whether the preferred alternative conforms to the applicable State Implementation Plan (SIP).

Recommendation:
We remain concerned about these issues and recommend that the CPUC and BLM examine the two comment letters referenced above and ensure that the potential impacts and appropriate mitigations measures are fully disclosed within the FEIR/EIS.

New In-Area All-Source Generation Alternative

A0030-9

The DEIR/EIS states that the *New In-Area All-Source Generation Alternative* would include a combination of fossil-fuel fired central station generation, renewable generation, and non-renewable distributed generation. The conventional generation considered in this alternative includes a range of specific conventional generation projects: 1) proposed South Bay Replacement Project (SBRP); 2) proposed San Diego Community Power Project (ENPEX); 3) the proposed Encina Power Plant Repowering; 4) proposed peaking gas turbines that SDG&E could procure; and 5) fossil fuel-fired distributed generation facilities. Although the Encina Power Plant Repowering Project was mentioned in the DEIR/EIS, the impacts associated with this project were not considered because the Carlsbad Energy Center filed the Application for Certification (AFC) after this alternative had been defined and analyzed (pg. E.6-1). Based on the fact that LS Power withdrew its AFC, it is doubtful that a new plant will be constructed at the South Bay site, one of the options considered in the DEIR/EIS.

Recommendation:
The FEIR/EIS should discuss the impacts associated with the Encina Power Plant Repowering project since the Carlsbad Energy Center has filed the AFC.

A0030-10

Although the *New In-Area All-Source Generation Alternative* was ranked the highest in terms of environmental superiority, there are several significant, unknown variables associated with this alternative, such as the location of the generation facility. We agree that it was a viable option for consideration; however, it is difficult to quantify and disclose the environmental impacts associated with the *New In-Area All-Source Generation Alternative* when the location of the proposed plant has not been determined.

Recommendation:
The FEIR/EIS should discuss the limitations associated with the assumptions made for the *New In-Area All-Source Generation Alternative* in greater detail.

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