



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION IX

75 Hawthorne Street

San Francisco, CA 94105-3901

APR 25 2016

Mr. Donald Lash
NEPA Document Manager
Western Area Power Administration
114 Parkshore Drive
Folsom, California 95630

Subject: Final Environmental Impact Statement for the San Luis Transmission Project, Alameda, San Joaquin, Stanislaus, and Merced Counties, California (CEQ # 20160065)

Dear Mr. Lash:

The U.S. Environmental Protection Agency has reviewed the Final Environmental Impact Statement for the San Luis Transmission Project. Our review and comments are provided pursuant to the National Environmental Policy Act, Council on Environmental Quality regulations (40 CFR Parts 1500-1508), and our NEPA review authority under § 309 of the Clean Air Act.

The EPA provided comments on the Draft EIS on August 31, 2015 and rated all alternatives in the Draft EIS as *Environmental Concerns – Insufficient Information* (EC-2). While the EPA supports Western's objective of minimizing environmental effects by maximizing the use of existing transmission line rights of way, we identified concerns about the potential impacts to air quality and sensitive aquatic resources that could result from the construction of 95 miles of new transmission lines and associated infrastructure. The EPA recommended that such impacts be avoided to the extent possible in order to fully protect the environment and to demonstrate compliance with Section 404 of the Clean Water Act and EPA's general conformity regulations.

The EPA also recommended that any decision to build new transmission lines be supported by additional clarification, in the Final EIS, of the costs and benefits associated with the no action and action alternatives. Within the context of the no action alternative, we recommended consideration of whether opportunities may exist for Reclamation to obtain electricity from new or existing solar or wind power facilities in the vicinity of the San Luis Unit, and whether doing so could reduce the power needed from the existing Pacific Gas and Electric transmission line and the costs related to the California Independent System Operator tariff.

The EPA appreciates the efforts of the Western Area Power Administration, the Delta-Mendota Water Authority and their consultants to respond to our Draft EIS comments. We were pleased to see that the Final EIS incorporates the air quality mitigation measures we recommended, includes a commitment to avoid waters of the US to the extent practicable, provides an update on additional coordination with the Army Corps of Engineers and describes in greater detail the potential impacts from climate change. We also note that a draft General Conformity Determination was included in the Final EIS (Appendix M)

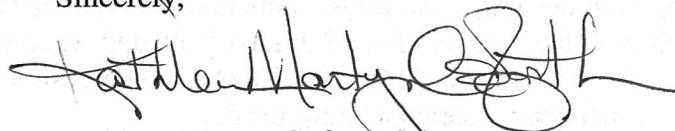
and that the proposed emission offset methodology was discussed. The Draft General Conformity Determination states that the project will offset 60 tons of NO_x emissions (p. M-8). General conformity requires federal actions to fully offset emissions that exceed the de minimis threshold on an annual basis. Therefore, per Table M-1, the proposed alternative would need to offset 26.1 tons of NO_x in 2018, 26.0 tons of NO_x in 2019 and no emissions in 2020, for a total required offset of 52.1 tons of NO_x emissions. EPA supports the proposal to offset 60 tons as a conservative approach and to provide a greater environmental benefit.

The Final EIS includes an improved cost analysis, as we had recommended; however, the EPA believes that some of the cost data presented therein may be dated. The Final EIS states that new solar generation can cost approximately \$60/megawatt-hour, whereas the Central Valley Project energy costs, on average, are \$30/MWh (Appendix L, p. L-12). According to a Lawrence Berkeley National Lab (LBNL) report, costs for utility-scale solar have fallen dramatically in the past 10 years and some of the most recent power purchase agreements in the Southwest are based on electricity prices as low as \$40/MWh (in real 2014 dollars). The LBNL report indicates that these prices are expected continue to decrease in the future (see Bolinger, Mark and Joachim Seel. *Utility-Scale Solar 2014, An Empirical Analysis of Project Cost, Performance, and Pricing Trends in the United States*. Lawrence Berkeley National Laboratory [<https://emp.lbl.gov/sites/all/files/lbnl-1000917.pdf>]). The continued decline of PPA prices for utility scale solar does not appear to have been fully considered in the cost analysis in the Final EIS. These lower costs could make local utility scale solar costs competitive with current CVP energy costs; thereby potentially eliminating the need for the proposed transmission line and associated facilities. We recommend updating the necessary calculations and including a final cost analysis as part of the Record of Decision to demonstrate the cost and benefits to Reclamation and the Water Authority of the action and no action alternatives.

We recommend that all mitigation measures be adopted in the ROD and included as conditions in construction contracts and any other approvals or enforceable agreements, as appropriate, to minimize adverse environmental impacts to the greatest extent possible. If proposed mitigation measures discussed in the Final EIS are not adopted, we recommend that the ROD explain why those measures were not adopted.

We appreciate the opportunity to review this Final EIS for the San Luis Transmission Project. If you have any questions, please contact me at (415) 972-3521, or contact Scott Sysum of my staff at 415-972-3742 or sysum.scott@epa.gov.

Sincerely,



Kathleen Martyn Goforth, Manager
Environmental Review Section