

Recommendation Summary

Agency: **215 Utilities and Transportation Comm**

3:04:43PM

10/13/2015

Dollars in Thousands

Annual Average FTEs	General Fund State	Other Funds	Total Funds
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2015-17 Current Biennium Total

Total Carry Forward Level

Percent Change from Current Biennium

Carry Forward plus Workload Changes

Percent Change from Current Biennium

Total Maintenance Level

Percent Change from Current Biennium

PL P1 EFSEC Workload Increase

5,000 5,000

Subtotal - Performance Level Changes

0.0 5,000 5,000

2015-17 Total Proposed Budget

Percent Change from Current Biennium

5,000 5,000

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Annual Average FTEs	General Fund State	Other Funds	Total Funds
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PL P1 EFSEC Workload Increase

The Utilities and Transportation Commission's (UTC) division, the Energy Facility Site Evaluation Council (EFSEC) has responsibility for siting and permitting major energy facilities in the State of Washington. EFSEC coordinates all evaluation and licensing steps for siting certain energy facilities in Washington. In addition, EFSEC specifies the conditions of construction and operation of the sites. If approved, a Site Certification Agreement is issued in lieu of any other individual state or local agency permits. Ongoing work for EFSEC is managing the environmental and safety oversight program of facility and site operations.

EFSEC project siting review, or certification, is the state licensing process for the siting, construction, and operation of an energy project. A preliminary site study may be done prior to starting the certification process to assess whether to proceed with an application. EFSEC is responsible for evaluating applications to ensure that all environmental and socioeconomic impacts are considered before a site is approved. After evaluating an application, EFSEC makes a determination that constructing and operating the facility will produce minimal adverse effects on the environment, ecology of the land and wildlife, and ecology of the state waters and aquatic life, and meets its construction and operation standards then it recommends that a Site Certification Agreement (SCA) be approved and signed by the Governor.

Once approved by the Governor EFSEC proceeds with the SCA that lists the conditions the applicant must meet during construction and while operating the facility. A SCA does not grant the right of eminent domain to the SCA holder.

State law requires EFSEC to regulate the construction and operation of a facility by ensuring compliance with state laws and the terms set in the SCA. If a facility is found to be out of compliance EFSEC has the regulatory authority to enforce state laws and the conditions in the SCA through fines or by ceasing construction or operation of the project. Lastly, EFSEC continues this oversight responsibility through restoration of the site after the project is terminated.

EFSEC anticipates the receipt of applications for two new facilities beginning in 2016. Both of these facilities involve the transportation by rail of petroleum products, refining, offloading and storage and distribution to domestic and foreign outlets, by marine vessels. It is anticipated the review and analysis for these facilities will require a significant commitment of staff and contractor resources, which is described in greater detail below to complete the review required under RCW 80.50. This additional work requires additional appropriation authority to meet EFSEC regulatory responsibility. The UTC requested from the Department of Enterprise Services (DES) additional delegated authority. This request was granted by DES on September 4, 2015, increasing the authority from \$250,000 to \$5,000,000 for current and new project expenditures.

Agency: 215 Utilities and Transportation Comm
Decision Package Code/Title: P1 EFSEC Workload Increase
Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

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Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-7 General Fund - Basic Account-Private/Local	2,500,000	2,500,000	5,000,000
Total Cost	2,500,000	2,500,000	5,000,000

Package Description:

The UTC is requesting approval to increase the spending authority for EFSEC's current and new projects. EFSEC is currently conducting an environmental review of a proposed crude oil trans-loading facility at the Port of Vancouver, if built it would be the largest of its kind in the United States. This review is now into its second year and it is anticipated the review will continue late into 2016. The level of effort and expenditures to conduct this review is unprecedented in the history of EFSEC.

While the current appropriation appears to be sufficient for the current project and workload, an increased appropriation is necessary to cover the costs associated with two additional proposed petroleum trans-loading, refining and export facilities that are proposed for the Port of Longview. The level of review required for these two facilities will be significantly beyond the current EFSEC spending authority. The current biennium appropriation is \$11,500,000 with current siting project expenses expected to reach or exceed \$3,000,000 and normal operating expenses in excess of \$2,700,000. Each new siting project is projected to have expenditures of approximately \$5,000,000 for an unanticipated additional biennium cost of \$10,000,000.

EFSEC will need to secure the services of an independent consultants to assist with technical reviews and evaluations of each Application for Site Certification (ASC), develop state environmental policy act (SEPA) related scoping reports and provide consulting services in where EFSEC requires specific expertise. Specifically, the additional delegation would enable the EFSEC to conduct SEPA analyses that are necessary to complete Draft and Final Environmental Impact Statements. As stated above the UTC recently obtained additional delegated authority from the Department of Enterprise Services to procure services in the amount of \$5,000,000 for each new application for site certification through FY2018.

Due to the complexity, controversial nature of the sites and high level of public interest anticipated for the two new site applications, EFSEC expects contention raised by federal, state and local agencies, tribes and non-government organizations. Addressing these concerns will require significant resources by EFSEC and the contractors working for EFSEC.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The UTC/EFSEC expect to improve the understanding and response to potential impacts identified during the analysis of the proposed projects. Each project is different and state law requires that potential impacts be mitigated, where possible, before proposing a legally-defensible recommendation to the Governor.

What desired results will be achieved?

The desired result of a higher spending authority is to assure decision makers that all impacts of proposed projects are sufficiently analyzed as required by RCW 80.50. State law requires that when impacts are identified mitigation for those impacts must be defined. This information is necessary for the Governor to make an informed decision on whether or not to approve a proposed energy facility.

Will efficiency increase? How?

Having adequate resources will increase efficiency by allowing EFSEC to complete the environmental review of proposed energy facilities in a timely manner as required by RCW 80.50.

Will outputs change? How?

By having adequate resources EFSEC can assure a thorough and comprehensive review of the energy facility applications has been completed. Thus allowing decision makers to be confident the site recommendation safeguards the environment and public health and safety concerns.

What is the expected impact on clients, on services provided? On citizens?

To assure, that where applicable, operational safeguards are at least as stringent as the criteria established by the federal government and that the resources of the state are protected from impacts related to the operation of energy facilities. Citizens will benefit through the preservation and protection of the environment; enhancement of the opportunity to enjoy the esthetic and recreational benefits of the air, water and land resources; and promotion of air cleanliness and beneficial changes in the environment.

Performance Measure Detail

Activity: A012 Site New Energy Facilities

Incremental Changes

No measures submitted for package

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

Yes, detailed analysis of the environmental, and health and safety impacts of proposed energy facilities supports the UTC's strategic goals of increasing public safety and ensuring safe and reliable infrastructure.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

The analysis and identification and, where possible, mitigation of environmental impacts support the Governor's priorities related to sustainable energy and a clean environment in promotion of healthy and safe communities.

What are the other important connections or impacts related to this proposal?

Approving this proposal supports balancing the increasing demands for energy facility locations and operations in conjunction with the broad interests and safety of the public.

What alternatives were explored by the agency, and why was this alternative chosen?

No other alternatives were explored by the agency. State law requires that EFSEC conduct the review of all energy facilities which fall under EFSEC jurisdiction. No other state agency can perform this function.

What are the consequences of adopting or not adopting this package?

EFSEC would not have adequate spending authority to conduct analysis and make recommendations to the Governor on whether or not to approve proposed energy facilities in the State of Washington. Should this request be denied, EFSEC would not be able to comply with state law and will not be able to complete the siting and environmental review for proposed energy facilities.

What is the relationship, if any, to the state's capital budget?

This package has no impact on the capital budget.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

This package does not require changes to existing statutes, rules or contracts.

Expenditure and revenue calculations and assumptions

No additional revenue is associated with this decision package. The funds associated with the request for additional expenditure authority are obtained through the private/local account as a result of the increase in workload driven by the two applications for site certifications expected during the current biennium.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

Costs associated with the siting of energy facilities are one-time costs directly related to each individual facility. Ongoing costs include monitoring of construction activities, site modifications/amendments to permits and compliance monitoring during operation and decommissioning of individual sites.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
C Professional Svc Contracts	2,500,000	2,500,000	5,000,000