

**Date:** April 20, 2012

**To:** Environmental Quality Commission

**From:** Dick Pedersen, Director

**Subject:** Agenda item K, Informational item: Director's dialogue  
April 25-27, 2012, EQC meeting

**Calico Resources Grassy Mountain gold mining project**

On Feb. 7, Calico Resources USA Corp issued a notice of intent to proceed with the pre-application phase of a gold-mining project located at Grassy Mountain, about 25 miles south/southwest of Vale. Calico intends to mine a patented-claim on Grassy Mountain, an area rich in mining history and exploration. This also the site of a gold mining project proposed in the 1990s that made use of, but did not complete the process for, Oregon's chemical mining rules.

Calico estimates that there may be as much as 924,000 ounces of gold resources involved at the Grassy Mountain site, and the company may later expand its exploration to about a dozen other unpatented claim areas spanning several hundred acres near Grassy Mountain. The company has yet to make specific decisions about the technology it will use to separate gold from ore, so the project may or may not fall within the definition of chemical mining. The proposed mining process is expected to be underground and "closed-circuit" as opposed to open pit. In closed-circuit techniques, inputs and discharges would be controlled in tanks, vessels and piping. The chemical mining rules require oversight from a project coordinating committee and a technical review team. Those teams will meet multiple times in the next 12 to 14 months.

Calico finalized a pre-application cost recovery agreement with the Oregon Department of Geology and Mineral Industries in February. There are several state agencies involved in the proposed project including DEQ, the Departments of Fish and Wildlife, Land Conservation and Development, State Lands, Water Resources, Agriculture and the State Historical Preservation Office. DEQ will be involved with air and water quality, solid waste and hazardous waste management, stormwater permitting, communications and project administration. DEQ's role may also expand to include tribal government consultation and environmental justice issues.

**Electrical transmission line projects in Oregon**

Last October the Obama administration announced that it would accelerate permitting and construction of seven proposed electric transmission lines crossing 12 states, including PGE's Cascade Crossing Transmission and Idaho Power's B2H Transmission Line Projects. These

projects were chosen as pilot demonstrations of streamlined federal permitting, and increased cooperation among federal, state, and tribal organizations. The project is intended to create jobs, modernize the electric grid and make more renewable and cost-effective energy sources available to consumers.

### PGE Cascade Crossing transmission line project



Portland General Electric has proposed the Cascade Crossing Transmission Line Project, which would involve building, operating, and maintaining approximately 215 miles of 500 kilovolt transmission line. The proposed line would start at the Coyote Springs Generating Plant in Boardman and run southwest to the Bethel Substation east of Salem. If approved, PGE plans to begin construction in 2014 and complete it in late 2016 or early 2017. The project expands three existing substations and builds four new ones. In February 2011, PGE and the Bonneville Power Administration entered into a memorandum of understanding to coordinate planning of new electrical substations and transmission facilities and consider joint development.

Even though the new lines will parallel existing transmission lines as often as possible and make use of existing access and service roads and facilities, both the access roads and substations are expected to generate the project's largest environmental impacts. The project will cross numerous wetlands, the Deschutes River, the John Day River, and other small streams. PGE plans to span the Deschutes and John Day Rivers.

State and federal agencies and the Confederated Tribes of Warm Springs will provide project review and environmental analysis. Oregon Department of Energy's consolidated Energy Facility Siting Council is conducting the state review process, the U.S. Forest Service is leading the federal NEPA review, and Confederated Tribes of Warm Springs is managing the permitting process across the reservation. The developer estimates that the project will create about 450 jobs during peak construction.

In early March 2012, the applicant submitted a preliminary siting application to the Department of Energy. While ODOE evaluated the application, DEQ determined that the project would require state and federal permits for air and water quality protection. The project may require individual, rather than nationwide or general, permits for water quality, but the U.S. Army Corps of Engineers has not yet made that determination. DEQ is recommending that the applicant request a pre-application meeting for the newly streamlined 404 permit and 401 certification processes.

#### **Idaho Power Boardman-to-Hemingway transmission line project**

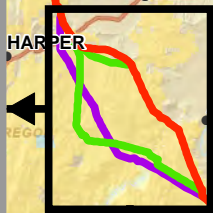
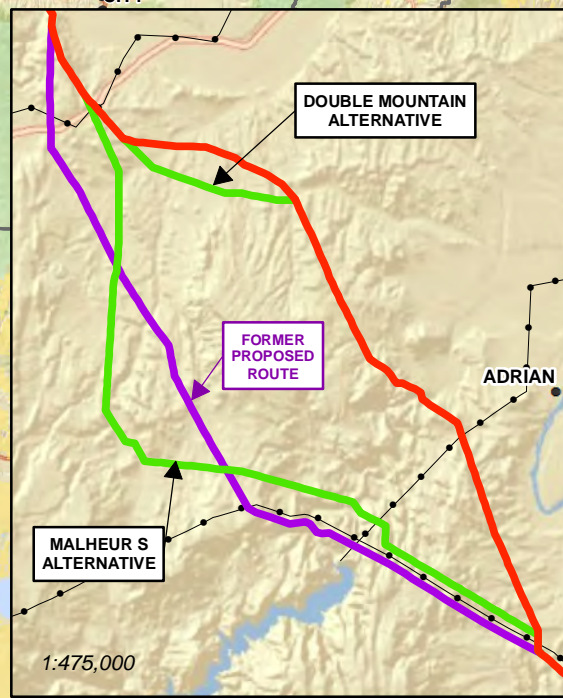
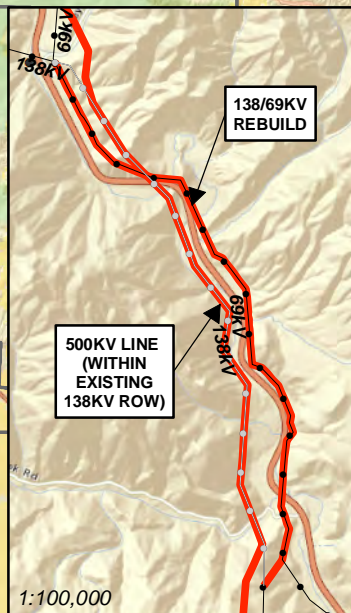
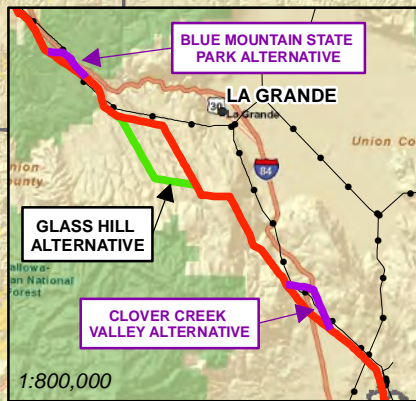
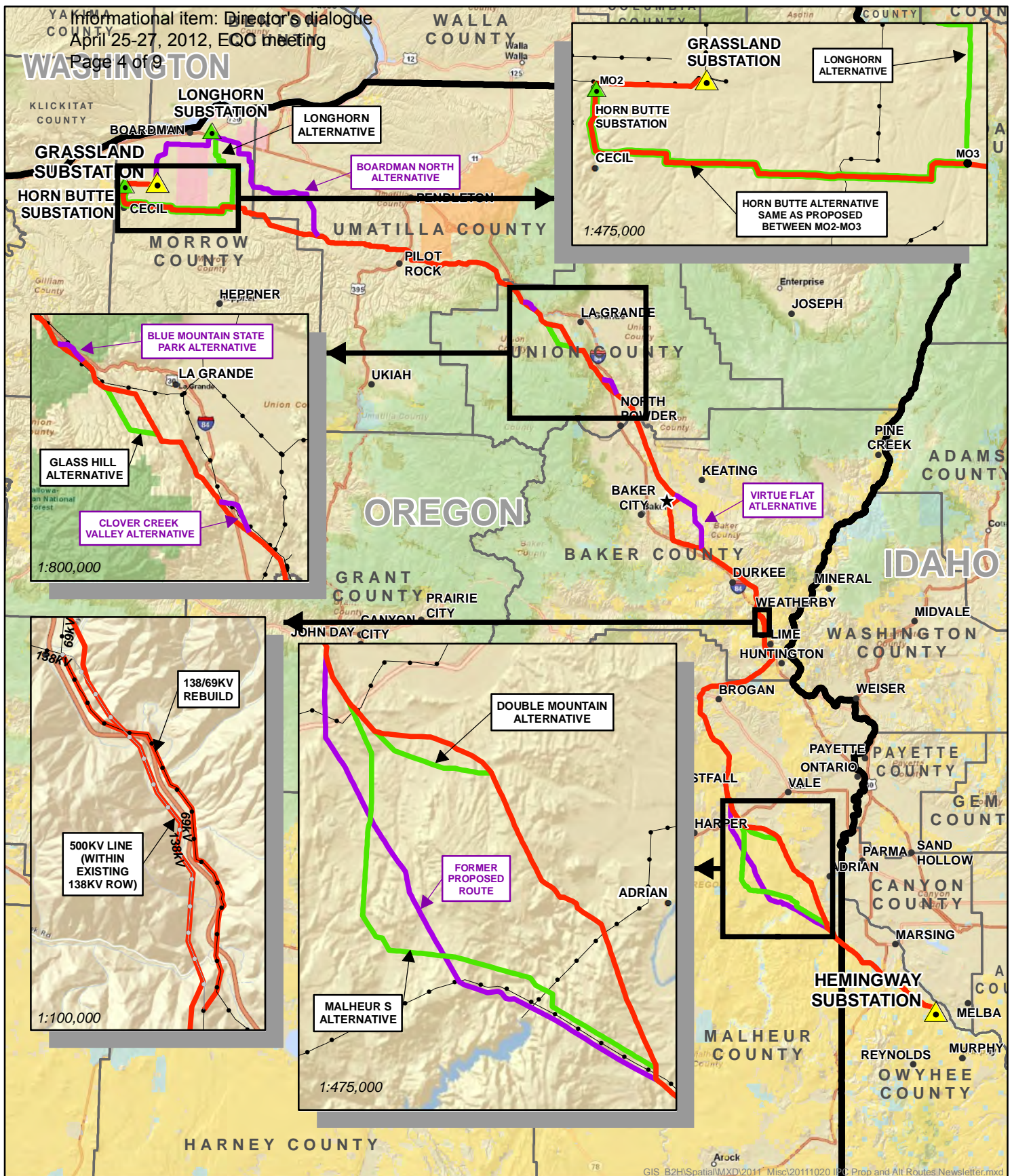
Idaho Power has proposed construction of a new 300-mile long 500 kilovolt, single-circuit electric transmission line from a proposed substation in Oregon near Boardman to the Hemingway Substation near Melba, Idaho, known as the Boardman to Hemingway Transmission Line Project, or B2H Project. Earlier this year Idaho Power, PacifiCorp and Bonneville Power Administration agreed to continue joint participation in the project by funding the environmental review and permitting. If approved, Idaho Power plans construction from 2013 to June 2016. Project developers expect anticipating creating 500 jobs during the peak construction seasons.

As with the PGE Cascade Crossing Transmission Line Project, the B2H Project will parallel existing transmission lines, use existing access and service roads and facilities, and expect access roads and substations to generate significant environmental impacts. This transmission line will cross similar terrain as the Cascade Crossing project and run adjacent to tribal lands.

The review and permitting process is similar to that of the Cascade Crossing. Energy anticipates that Idaho Power will submit its preliminary siting application later this year. According to the developer, the project is expected to create about 500 jobs in Oregon and Idaho during peak construction.

*Please see the next page for a map of this project.*





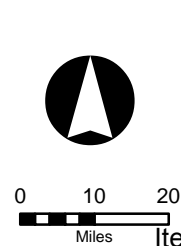
## PROPOSED & ALTERNATIVE ROUTES

IDAHO POWER COMPANY  
 BOARDMAN TO HEMINGWAY  
 500kV TRANSMISSION LINE PROJECT

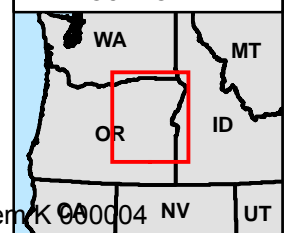
OCTOBER 2011



- |  |                           |
|--|---------------------------|
| ★ National Historic Oregon Trail Interpretive Center | State Boundary            |
| ▲ Proposed Substation                                | County Boundary           |
| ▲ Alternative Substation                             | Bureau of Land Management |
| — IPC Proposed Route                                 | Bureau of Reclamation     |
| — IPC Alternative                                    | Department of Defense     |
| — IPC Alternative Previously Considered              | Indian Reservation        |
|  | Private                   |
|  | State                     |
|  | U.S. Forest Service       |



## LOCATION MAP



GIS\_B2H\Spatial\MXD\2011\_Misc\20111020\_IPC Prop and Alt Routes Newsletter.mxd

### **EPA action on Oregon's 2010 Clean Water Act 303(d) list of impaired waters**

On March 15, 2012, EPA published its decision on Oregon's 2010 303(d) list of impaired waterways in the Federal Register. The 303(d) list is a list of water bodies that do not meet water quality standards where a water quality management plan, known as a total maximum daily load or TMDL, is needed. TMDLs establish pollution load limits to address identified pollutants, such as too-high temperature or excessive bacteria. DEQ submitted its 303(d) list to EPA in May 2011 as part of Oregon's 2010 Integrated Report on water quality. An Integrated Report contains a statewide assessment of surface water (rivers, stream, lakes, estuaries and ocean) and the 303(d) list. The federal Clean Water Act requires DEQ to identify Oregon's 303(d) waters every two years and identify priority waters for TMDL development. Oregon's previous 303(d) list contained 1825 listings and was approved by EPA in 2007. De-listing a water body generally means that the segment is now under a management plan or pollutant-controlling permit, though it may still not meet its specified water quality standards.

EPA approved 970 listings and 927 de-listings, which DEQ can now use to prioritize and develop TMDLs. The approved list may affect whether DEQ will allow permitted sources to include new or increased discharge loads of listed pollutants into 303(d)-listed waters. EPA partially disapproved DEQ's submittal and proposed adding 1004 water segments across the state to the 303(d) list, based on the standards in place today, which include Oregon's revised human health standards for toxic pollutants that EPA approved last year. When DEQ compiled its 303(d) list as part of the 2010 Integrated Report, the standards were not yet in place.

EPA has opened a public comment period on the proposed listings, which is expected to close by early May. EPA expects to make a final determination on the proposed additional listings by summer 2012. Once EPA finalizes the additional listings, all approved listings will become part of Oregon's final 303(d) list. DEQ will have the opportunity to provide new data or other information to EPA with the next Integrated Report in 2012.

### **Title V permit streamlining workgroup**

As a next step in phasing in permitting of major industrial sources of greenhouse gases, EPA launched a workgroup to recommend streamlining measures for the Title V permit program. Andy Ginsburg, DEQ Air Quality Division administrator, co-chairs the workgroup. EPA began phasing in greenhouse gas permitting in 2011 for sources with over 100,000 tons per year of greenhouse gases that were otherwise required to obtain permits. In mid 2011, the requirement extended to all sources emitting over 100,000 tons of greenhouse gases per year, even if not otherwise required to obtain permits. Last month, EPA decided not to lower the emission threshold, in part because of concerns over the permitting burden for smaller sources and state permit authorities, like DEQ. The purpose of the new workgroup is to identify streamlining options, such as general permits and exempting selected source categories. This would not only

reduce costs of the program, but could enable EPA to lower the applicability threshold for greenhouse gas permitting. The workgroup is scheduled to meet through fall 2012.

### **Updated Smoke Management Vision Statement**

During March, representatives from Pacific Northwest air agencies, federal land managers and tribal governments updated the Smoke Management Vision Statement originally adopted in 2009. The vision calls for “Federal, tribal, state and local agencies, and private partners to work collaboratively to best meet our individual and collective ecological, agricultural, safety, air quality and public health goals as we implement our fire and smoke management responsibilities.” It was adopted primarily in response to concerns about air quality impacts of forestry and agricultural burning. The vision calls for full exploration of win-win options, such as non-burning alternatives to vegetative treatment and the use and improvement of smoke management techniques. The revised vision will be presented to staff at an EPA-sponsored smoke management meeting in April.

### **Update on ozone litigation**

In 2008, Oregon and other states challenged EPA’s revised ozone standards because EPA set the standard outside of the range recommended by the Clean Air Science Advisory Committee. In 2009, EPA agreed to reconsider the standards, and this case was held in abeyance. In August, EPA announced that it would not continue with the reconsideration, and instead would wait until the regular revision of the ozone standard in 2013. Because of the uncertainty of whether EPA will stick to the revised schedule, the states moved to reactivate this litigation. New York is leading the coalition of states in this case and will be drafting the brief, which is due April 17. Given the range of possible ozone standards being considered by EPA, the outcome of this process could have a major impact on Oregon.

### **Derelict vessels**

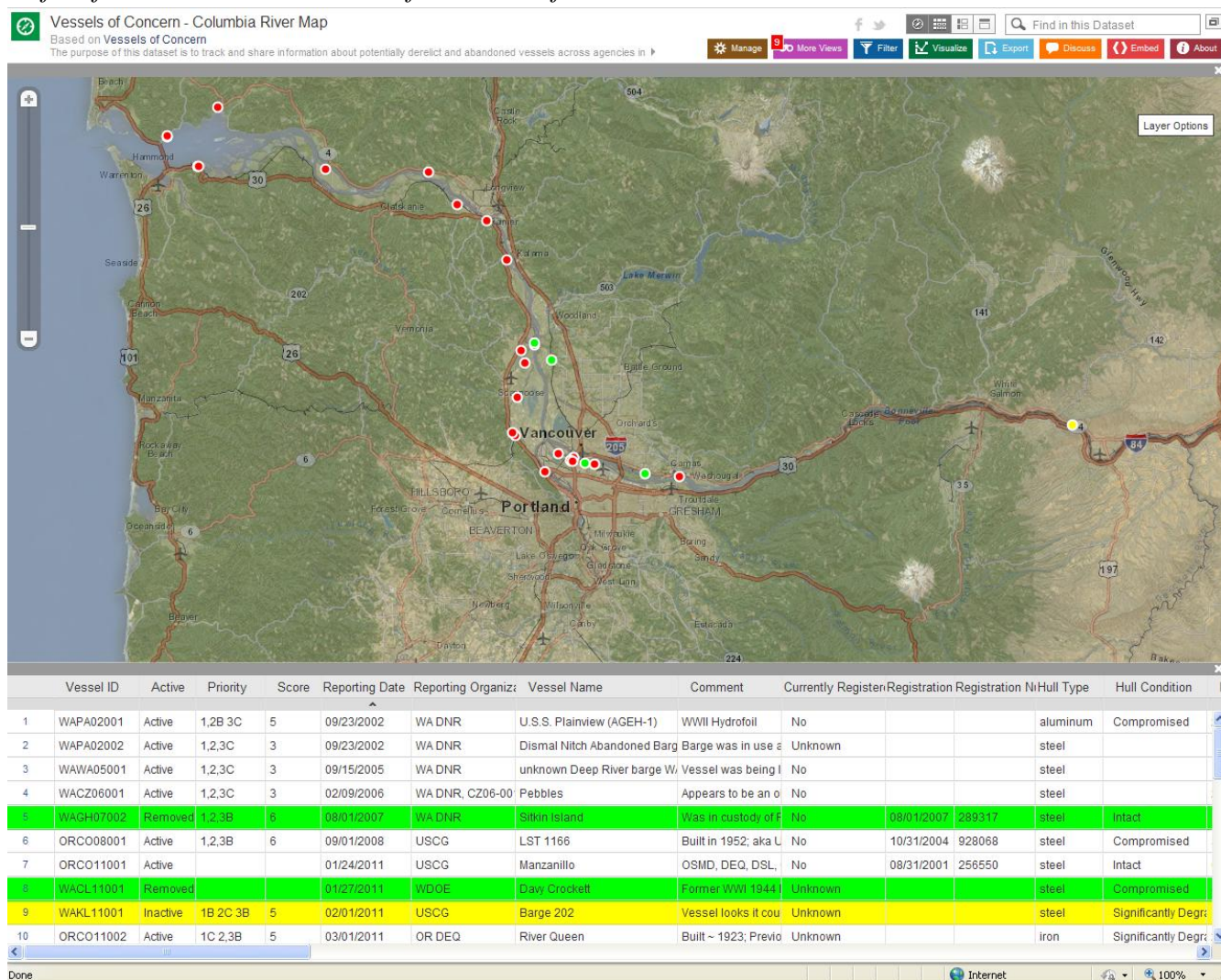
The state is keenly interested in identifying derelict vessels and preventing major spills and problems like that of the Davey Crockett, a derelict vessel on the Columbia River that spilled oil and other pollution into the river in 2011 as a result of inadequate environmental controls during ship dismantling. The Derelict Vessel Task Force was formed and was successfully able to conduct several patrols of the Columbia and Willamette Rivers, and has begun an outreach program to enlist the eyes and ears of local law enforcement, boat pilots and tug operators. The U.S. Coast Guard is now conducting regular patrols to monitor derelict vessels for changes in stability and pollution threats.

DEQ, the Oregon State Marine Board, Oregon Fish and Wildlife, Department of State Lands and Department of Justice have participated in the task force meetings. The task force members have benefitted from learning each other’s roles and responsibilities and opening up lines of communications between key decision makers within each agency. This has dramatically sped



up response times and led to targeted, multi agency inspections of derelict vessels sometimes within hours of receiving a report of a new vessel. A database has been compiled of all known or suspected derelict vessels, increasing information sharing and helping to eliminate redundant patrols of vessels. DEQ and the Oregon State Marine Board are producing an independent report that focuses specifically on issues related to the Oregon side of the Columbia River, Coos Bay, Reedsport and Newport.

The task force has also identified several key gaps in legislation. The task force compiled a matrix identifying limiting language and statutory authorities, and subgroups of the task force have been charged with determining solutions to the complex array of derelict vessel-related problems. This subgroup is working to reach out to elected officials to help determine where changes to existing laws could result in a more productive response. In 2012, the task force intends to continue patrols, reach out to river stakeholders to identify new vessels or vessels that have a changing status and could threaten Oregon's environment. *The image below shows a map drafted from the database created for vessels of concern.*



## **Clean Fuel Program**

On April 17, Governor Kitzhaber directed DEQ to propose the Clean Fuels Program for consideration by the Environmental Quality Commission, with a decision to be made by the end of this year. The purpose of this program is to reduce the greenhouse gas emissions from transportation fuel, which accounts for about a third of Oregon's greenhouse gas emissions. On April 20th, the Governor's Natural Resources Advisor, Richard Whitman, and DEQ's Director, Dick Pedersen, explained to stakeholders that DEQ will proceed cautiously by proposing the rules in two phases. During phase one, fuel producers and importers would report information about the lifecycle greenhouse gas emissions from each type of fuel they supply. During phase two, fuel producers and importers would need to gradually lower their average greenhouse gas emissions by 10 percent. DEQ will use the information collected over the next few years to decide whether to recommend that EQC trigger phase two, and whether phase two needs modifications.

Since this program was authorized by the 2009 legislature, DEQ has been working with an advisory committee and reaching out to the public to design this program. DEQ will spend the next few months finalizing the details of the proposal and briefing legislators and stakeholders. DEQ will then seek public comment over the summer, and present the rules to EQC for consideration in December. Additional information about the Clean Fuels Program is available at <http://www.deq.state.or.us/aq/cleanFuel/index.htm>

## **DEQ's Solid Waste Program update: 2050 Vision for Materials Management in Oregon**

The Solid Waste program is finishing a series of five facilitated workshops from October 2011 to May 2012 to develop a 2050 Vision and Action Plan for Sustainable Materials Management in Oregon. Stakeholders include representatives from disposal and recycling companies, local governments, businesses such as New Seasons Grocery Store and Intel, and non-governmental organizations. The vision and framework for action will update Oregon's Integrated Resource and Solid Waste Management Plan.

The materials management approach will help shift DEQ's focus from managing wastes to reducing impacts of materials over all stages of their life cycles. Materials management includes traditional waste management activities such as waste prevention, waste recovery and discards management. It also addresses the upstream impacts of materials from resource extraction, material processing and product design and manufacture. In many cases, looking upstream uncovers more effective opportunities to protect the environment than relying on management at the time of disposal.

The vision and action plan will build on DEQ's overall sustainability vision: "We live in a way that balances our actions with nature's ability to maintain a healthy environment." The project is



applying The Natural Step approach, which involves a science-based definition of sustainability and a strategic planning framework to help make choices that advance sustainability. A key element of the framework involves “backcasting” - starting with a future vision of what materials management will look like in 2050 and then looking back to identify the intermediary steps needed to achieve that vision. The vision and framework for action will guide DEQ’s solid waste and materials management program. DEQ expects the plan will also guide other governments, businesses and households to help achieve Oregon’s goals for reducing demands for energy and other resources, stabilizing the climate and creating a healthy economy.

DEQ will be seeking public input on the draft Vision and Framework for Action beginning in mid-June. Staff will present the vision and framework to the commission in October for proposed adoption.