

FACTS ABOUT The proposed San Luis Rio Colorado Project YUMA COUNTY, ARIZONA

After analyzing public concerns and possible impacts from the proposed project, Western in consultation with the cooperating agencies, will issue a Draft EIS. You will have 45 days to review this report and provide comments on it. Western expects the Draft EIS will be available for review in the fall of 2006.

Western will host a public hearing to receive comments on the Draft EIS during the review period. Western will then review these comments before preparing a Final EIS. You will have another 30 days to review the final EIS. Western expects to issue the Final EIS in early 2007. Western and DOE will then make individual decisions on whether to move forward with their actions related to the proposed project. Agency decisions on the proposed facility are expected soon after. If approved, construction would follow the agencies' decisions.

How can I learn more?

Call or write Mark Wieringa, NEPA Document Manager, Western Area Power Administration, P.O. Box 281213, Lakewood, CO 80228-8213, phone: 720-962-7448, fax: 720-962-7263, e-mail: wieringa@wapa.gov.

For project information in Spanish, contact Ms. Enoe Marcum, Environmental Specialist, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005, phone: 602-605-2422, fax: 602-605-2414, e-mail: marcum@wapa.gov.

For information on the Presidential permit process, contact Mrs. Ellen Russell, Office of Electricity Delivery and Energy Reliability (OE-20), U.S. Department of Energy, 1000 Independence Avenue, SW, Washington, D.C. 20585-0350, phone: 202-586-9624, fax: 202-586-5860, e-mail: ellen.russell@hq.doe.gov.

What proposed action and alternatives are being considered?

Western is evaluating the environmental impacts of a proposed project to interconnect with its transmission system in the Yuma, Arizona, area. Western received a request from Generaldoro del Desiertro S.A. de C.V. and North Branch Resources, LLC, who plan to build a power plant just across the international border in Sonora, Mexico that would interconnect with Western's Gila Substation and Arizona Public Service's North Gila Substation.

Western considers the 500-kV transmission facilities south of Gila Substation, the Proposed Point of Interconnection, to be interconnection facilities for the sole use of the applicants, while the path between Gila Substation and North Gila Substation is a network upgrade benefiting the integrated transmission system.

The interconnection facilities will consist of the interconnection customer's interconnection facilities, owned by GDD, and transmission provider's interconnection facilities, owned by Western. GDD has received an authorization from Comision Reguladora de Energia, Mexico's energy regulatory commission, to export electric energy to the United States and GDD proposes to deliver on-peak electrical power into the United States in the vicinity of Yuma, Arizona.

The total length of the 500-kV transmission system within the United States would be approximately 25 miles; 20 miles

from the international border to Gila Substation and 5 miles from Gila Substation to North Gila Substation. To reduce the height, the double-circuit 500-kV transmission line may be constructed as two separate single-circuit transmission lines for a short distance near the U.S. Marine Corps Auxiliary Airfield No. 2 landing pattern.

The applicants proposed a route for the 500-kV transmission line that crosses the border immediately north of the proposed power generation facility and then turns northeast to the boundary of the Barry M. Goldwater Range. The route then proceeds north along the boundary of the Range and parallels the proposed Area Service Highway and Western's existing Sonora 69-kV transmission line.

Near the northwest corner of the Range, the proposed route heads north to the Yuma Mesa Irrigation District canal and levee, then turns generally northeastward, paralleling the canal, levee, levee road and Western's 69-kV line into Gila Substation. Leaving Gila Substation, the proposed route parallels the existing three transmission lines to the north, crossing the South Gila Valley, then turns northwest and into Arizona Public Service's North Gila Substation, still paralleling the existing transmission lines. DOE will evaluate opportunities to consolidate existing transmission lines with the proposed new line.

What is the San Luis Rio Colorado Project?

Generadora del Desierto S.A. de C.V. is building a new 550-Megawatt nominal (605-MW peaking) natural gas-fired, combined cycle power generating facility located approximately 3 miles east of San Luis Rio Colorado, Sonora, Mexico, and about one mile south of the international border.

The applicant wants to sell electricity in both Mexico and the United States and is applying to DOE for a Presidential permit to construct two 500,000-volt electric transmission lines across the United States border from Mexico. North Branch Resources, LLC, a partner in the proposed project, is applying to interconnect with Western's transmission system in the Yuma area.

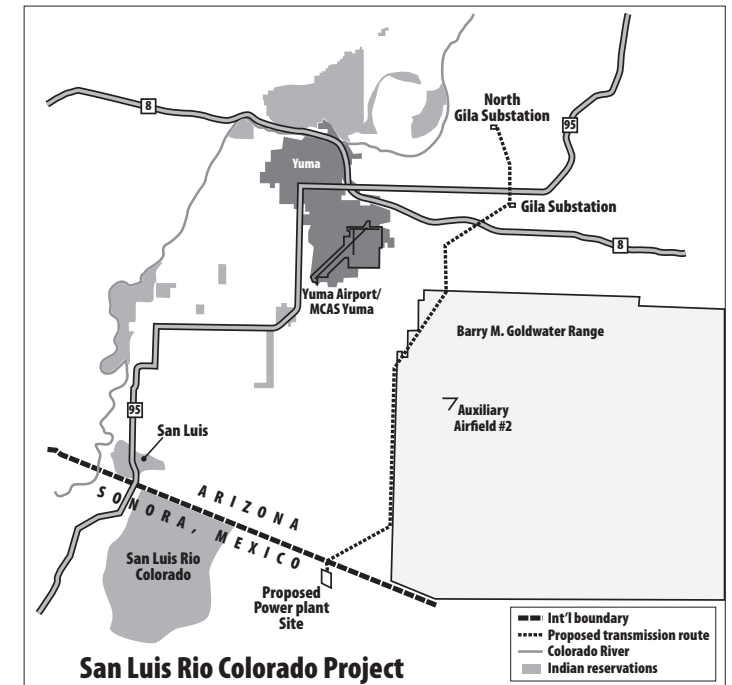
The applicants are each wholly owned subsidiaries of North Branch Holding, LLC. GDD proposes to construct, own, operate and maintain the power plant in Mexico and the short section of transmission line located in Mexico. The applicants propose that Western construct, own, operate and maintain the double-circuited 500-kV transmission components in the United States, at the applicants' expense.

In response to the interconnection request to Western, the transmission line would interconnect with Western's transmission system through a 500/161-kV expansion at Gila Substation, located east of Yuma. Under the proposal, Western would construct, own, operate and maintain the 500-kV transmission line between a Point of Change of Ownership near the international border and the Gila Substation, the 500/161-kV expansion at Gila Substation, and the 500-kV transmission line between Gila Substation and Arizona Public Service Company's North Gila Substation. In that case, Western would become a co-applicant on the Presidential permit application.

Why are DOE and Western involved in this project?

Interconnection request

Federal Energy Regulatory Commission Orders No. 888 and 888-A require all public utilities owning or controlling interstate transmission facilities to offer non-discriminatory open access transmission services. Through these Orders, FERC addressed the need to encourage lower electricity rates by facilitating the development of competitive wholesale electric power markets through the prevention of unduly discriminatory practices in providing transmission services.



To be consistent with these orders, Western published a Final Open Access Transmission Service Tariff in the Federal Register on Jan. 6, 1998. Western filed an amendment to the Tariff with FERC on Jan. 25, 2005, to adopt Large Generator Interconnection rules that substantially conform with those published by FERC. Western's amended Tariff requires Western to respond to an application as presented by an applicant. Section 211 of the Federal Power Act requires that transmission services be provided upon application if transmission capacity is available.

In compliance with FERC's rules, Western has committed to accommodating new transmission capacity constructed by an applicant. NBR requested an interconnection to the Federal transmission system under Western's Tariff. Western must determine whether to grant or deny the interconnection while considering effects of the proposed project on existing customers, the environment, system reliability, and any system modifications needed to accommodate the interconnection. If the interconnection request is granted and the proposed project proceeds, Western would construct, own, operate and maintain any required modifications to its own transmission system within the United States at the expense of NBR.

Because the proposed project would integrate a major new source of generation into Western's transmission system,



Western has determined that an EIS is required under DOE's NEPA Implementing Procedures, 10 CFR part 1021, Subpart D, Appendix D, class of action D6.

Presidential Permit request

GDD has applied to DOE for a Presidential permit to construct two 500-kV electric transmission lines across the United States border from Mexico. Executive Order 10485, as amended by Executive Order 12038, requires that a Presidential permit be issued before electric transmission facilities may be constructed, operated, maintained, or connected at the U.S. international border. The Executive Order provides that a Presidential permit may be issued after a finding that the proposed project is consistent with the public interest and after concurrence by the U.S. Departments of State and Defense.

In determining consistency with the public interest, DOE considers the environmental impacts of the proposed project

under NEPA, determines the project's impact on electric reliability (including whether the proposed project would adversely affect the operation of the United States electric power supply system under normal and contingency conditions), and any other factors that DOE may also consider relevant to the public interest. Issuance of a Presidential permit indicates that there is no Federal objection to the project, but does not mandate that the project be completed.

What decisions will be made?

Western will use the EIS, along with other factors, to determine whether to approve its participation in the facility. DOE will make a separate decision to approve the presidential permit request. Western will contact other Federal, state, local, and tribal agencies during the scoping period to solicit their input and participation in the EIS process.

What will the EIS address?

In the EIS, DOE will examine public health and safety effects and environmental impacts within the United States from the proposed transmission facilities and from the associated Mexico generating facility. The EIS will be prepared under the requirements of the Council on Environmental Quality's National Environmental Policy Act Implementing Regulations (40 CFR parts 1500-1508) and DOE's NEPA Implementing Procedures (10 CFR part 1021).

Because the project involves action in a floodplain, the EIS will include a floodplain assessment and floodplain statement of findings following DOE regulations for compliance with floodplain and wetlands environmental review (10 CFR part 1022). Tribal governments and Federal, state, and local agencies with special expertise or jurisdiction over the proposed project are being invited to become cooperating agencies on the EIS.

Potential environmental issues within the United States that DOE has tentatively identified for analysis include:

- Impacts on protected, threatened, endangered, or sensitive species of animals or plants or their critical habitats (including flat-tailed horned lizard and Peirson's milk-vetch)
- Impacts on other biological resources
- Impacts on land use, recreation, and transportation (including agriculture, urban development and the planned Area Service Highway)
- Impacts on floodplains and wetlands
- Impacts on cultural or historic resources and tribal values
- Impacts on human health and safety (including military, civilian, and agricultural aviation safety)

- Impacts on air, soil, and water resources (including air quality, groundwater consumption, and quality)

- Visual impacts
- Socioeconomic impacts and disproportionately high and adverse impacts to minority and low-income populations.

This list is not intended to be all-inclusive or to imply any predetermination of impacts, and DOE invites interested parties to suggest specific issues within these general categories, or other issues not included above, to be considered in the EIS. Since the EIS would be prepared in compliance with U.S. law, it will only address impacts that would accrue in the United States.

NEPA does not require an analysis of environmental impacts that occur within another sovereign nation that result from approved actions by that sovereign nation. Executive Order 12114 (January 4, 1979) requires Federal agencies to prepare an analysis of significant impacts from a Federal action in certain defined circumstances and exempts agencies from preparing analyses in others. The Order does not require Federal agencies to evaluate impacts outside the United States when the foreign nation is participating with the United States or is otherwise involved in the action.

Here, the Mexican Government has been involved in evaluating the environmental impacts associated with the generating facility in Mexico and has issued permits authorizing the construction and operation of the generating facility and ancillary facilities, including water use. An overview of the permitting of the generating facility and associated environmental impacts analysis that was performed by the Mexican government will be included in the Draft EIS.

What project activities are planned outside the United States?

Inside Mexico, GDD plans to construct and operate a new 550-Megawatt (MW) nominal (605-MW peaking) natural gas-fired, combined cycle power generating facility located approximately 3 miles east of San Luis Rio Colorado, Sonora, Mexico, and about 1 mile south of the international border.

While this facility is not subject to the United States' regulatory requirements, DOE will evaluate impacts within the United States from its operation as part of its impact analysis. GDD plans to construct the power generating facility to comply with applicable United States environmental standards in addition to those of Mexico's Instituto Nacional de Ecología.

The planned generating facility would be equipped with advanced air emissions control technology, including low-NOx combustion technology and a selective catalytic reduction system for oxides of nitrogen, and catalytic oxidizers for carbon monoxide emissions control. The generating facility's primary source of water would be treated effluent from the San Luis Rio Colorado water treatment plant, and GDD would construct a pipeline system connecting the two facilities. A natural gas pipeline approximately six miles long would be constructed from the generating facility to an existing main gas line.

GDD plans to sell off-peak power inside Mexico to the association of maquiladoras (fabrication or assembly plants in the North American Free Trade Agreement zone) of San Luis Rio Colorado and also to the Comision Federal de Electricidad, Mexico's national electric utility. GDD would construct, own, operate and maintain a section of transmission line in Mexico to a point to be determined (Point of Change of Ownership).

What does Western need from you?

Western needs members of the public, tribes and Federal, state, local, and tribal agencies to identify issues and concerns to help us refine the preliminary alternatives and issues and to eliminate from detailed study those alternatives and environmental issues that are not feasible or pertinent. All comments received will be considered and used to shape the EIS process.

Because the project involves action in a floodplain, the EIS will address floodplain and wetlands impacts per DOE regulations for compliance with floodplain and wetlands environmental review.

Can I comment if I can't attend a scoping meeting?

You can also send us a letter, listing your concerns, issues or questions, or call the Western contact below. If we do not hear otherwise from you, we'll keep your name on the project's mailing list for future EIS-related announcements.

Western needs your input by mid March to help us define the scope for the EIS.

You may also provide comments on the proposed project throughout the EIS process. Send your comments to: Mr. John Holt, Environment Manager, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005, fax: 602-352-2630, e-mail: holt@wapa.gov.

When and where will scoping meetings be held?

Scoping meetings will be held at the Yuma Civic and Convention Center, 1440 West Desert Hills Drive in Yuma, AZ on Feb. 28, and at the San Luis High School, 1250 North 8th Avenue in San Luis, AZ on March 1, 2006. The facilities are wheelchair accessible, and a Spanish-speaking representative will be present.

Meeting times are:

■ Feb. 28, 9 a.m. to 4 p.m. and 6 to 9 p.m., in Yuma

■ March 1, 9 a.m. to 4 p.m. and 6 to 9 p.m., in San Luis

The scoping meetings will be structured as informal open houses. They will provide interested parties the opportunity to view proposed project and EIS process information, ask questions, and make comments. DOE and cooperating agency representatives will be available to answer questions and provide additional information to attendees.

What other alternatives will be considered?

DOE will consider any additional reasonable alternatives that result from comments received in response to the scoping process. To be considered reasonable, alternatives would need to meet the applicants' and Western's purpose and need, and be technically feasible and economically viable. DOE will also consider reasonable alternatives that may be identified later in the EIS process.

The EIS will also consider the environmental impacts of the "No Action" alternative. Under the No Action alternative, the EIS will analyze the impacts associated with not approving an interconnection agreement and not issuing a Presidential permit.

Will there be other opportunities to provide comments?

DOE anticipates the EIS process will take about 14 to 16 months and will include the public information and scoping meetings; consultation and involvement with appropriate Federal, state, and local agencies, and tribal governments; public review and hearing(s) on the published Draft EIS; a published Final EIS; and publication of a Record of Decision.