

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D. C. 20426
May 22, 2018

OFFICE OF ENERGY PROJECTS

Project No. 14859-001–Arizona
Big Chino Valley Pumped Storage Project
Big Chino Valley Pumped Storage LLC

Brian Studenka
ITC Holdings Corp.
27175 Energy Way
Novi, MI 48377

Reference: Authorization to Use the Traditional Licensing Process

Dear Mr. Studenka:

On March 30, 2018, Big Chino Valley Pumped Storage LLC (Big Chino) filed a request to use the Traditional Licensing Process (TLP) in preparing a license application for the 2,000-megawatt closed-loop, pumped storage Big Chino Valley Pumped Storage Project (Project) to be located 37 miles northwest of Chino Valley in Yavapai, Coconino, and Mohave counties, Arizona. Big Chino also filed a notice of intent (NOI) and a pre-application document (PAD) on the same day.

On April 10, 2018, Big Chino filed documentation with the Commission showing that it had published notices of the request to use the TLP in the March 30, 31, and April 1, 2018 editions of the *Daily Courier*, the March 30, 31, and April 1, 2018 editions of the *Arizona Daily Sun*, and the March 30, April 1 and 2, 2108 editions of the *Kingman Daily Miner*. Big Chino's notice contained the information required in section 5.3(d)(2) of the Commission's regulations, including a statement requesting that comments regarding the TLP request be filed with the Commission within 30 days following the date Big Chino filed its request.

Big Chino believes that the TLP, with early scoping, will allow it to complete the pre-filing requirements and file a license application that reflects a negotiated resolution of most issues allowing for a timely and efficient processing of the application. Big Chino believes that given the project's location, footprint, and the information collected to date, most studies will be relatively straightforward and consistent with studies conducted in similar proceedings. Big Chino states that the one unique issue for this project will be the effects of groundwater withdrawals from the Big Chino aquifer to initially fill and refill the project reservoir, and the effects of those withdrawals on flows in the Verde River and its associated resources. However, because there is a large

amount of existing, relevant, and reasonably available information on groundwater within the Big Chino aquifer, they do not believe that the issue is complex or controversial, and that they will be able to resolve these issues collaboratively and proactively with full consultation with stakeholders. Big Chino further notes that the nature of the TLP will allow all parties to avoid the costs and other resource commitments associated with the regimented requirements of the ILP.

Responses to Big Chino's request to use the TLP were filed by the Salt River Valley Water Users' Association and Salt River Project Agricultural Improvement and Power District (Salt River) on April 30, 2018, the Yavapai-Apache Nation (Apache Nation) on April 30, the Prescott National Forest (Forest Service) on April 25, and the Hopi Tribe on April 27. Big Chino filed reply comments on May 4, 2018.

The Hopi Tribe did not comment on the use of TLP, but states that the groundwater impacts will be challenging to resolve. The Hopi Tribe also notes that the project is likely to affect natural and cultural resources.

The Forest Service's comments support the use of the TLP, noting however, that the degree of uncertainty surrounding the project's potential impacts to groundwater supplies associated with the Big Chino aquifer and related surface water flows to the Verde River will likely generate controversy as the development of the license application progresses. The Forest Service would like to see this issue addressed in a serious and more definitive manner that reduces the level of uncertainty about potential impacts to aquatic resources and water quantity.

The Apache Nation comments state that they are neutral on the use of the TLP. However, they assert that the project is extremely complex and controversial with direct, indirect, and cumulative impacts on the Big Chino sub-basin and the Verde River. The Apache Nation also comments that issues on water rights, culture resources studies, and wild and scenic river designation will need to be discussed and resolved.

The Salt River Valley Water Users' Association and Salt River Project Agricultural Improvement and Power District (SRP) oppose the use of the TLP. SRP believes that the ILP is superior to the TLP because it provides: assistance by Commission staff, increased public participation in pre-filing consultation; development of Commission-approved study plan; better coordination between the Commission's processes; informal resolution of study disagreements, followed by study dispute resolution; and issuance of defined public schedules. SRP also believes that Big Chino has not met the burden of proof that the TLP should be used since: stakeholders will not be able to file study requests with the Commission and receive assistance in resolving study disputes; the resource issues are complex and controversial, and potential for significant disputes over studies is high; and no projected cost for the TLP or ILP was given. Among the controversial issues are water rights, the need for specific

authorization from Arizona State Legislature for electric generation, and groundwater flow modeling.

In its reply comments, Big Chino states that since the project is closed-loop and located off-river in a remote location, dam-related resource issues such as minimum flows, fish passage, and recreation do not exist. Big Chino believes that the study and mitigation of groundwater-related impacts, while critical, is not controversial. Big Chino states that it intends to minimize controversy and adversarial conflict by addressing this issue proactively. As an example, Big Chino notes that it invited stakeholders to participate in modeling analyses by providing technical input and additional hydrologic data which can aid in model calibration. Big Chino states that it intends to maintain this level of collaboration throughout the TLP.

A review of Big Chino's PAD and reply comments along with stakeholders' comments suggests that although Big Chino may have underestimated the level of anticipated controversy associated with the project, particularly those associated with groundwater withdrawals from the Big Chino aquifer, this resource issue is not so complex that it cannot be addressed through a well implemented TLP. Big Chino has compiled substantial information on the environmental resources in the project area, including the Big Chino aquifer, and has proposed to develop studies collaboratively to address the groundwater issues.

The principal focus of SRP's objection to using the TLP is the lack of Commission involvement to resolve study disagreements and limited public involvement in the pre-filing process. The TLP requires consultation with federal, state and local agencies, Indian tribes, and members of the public to identify issues and information needs; a public meeting; and preparation of a draft license application for comment (18 CFR section 4.38). Studies are required to be conducted under the TLP, and if there are disputes over studies, a dispute resolution mechanism through the Commission is available (18 CFR section 4.38(b)(6)). In addition, Commission staff intends to conduct early public scoping to ensure that we have identified the issues that should be addressed in our environmental analysis. Further, if parties still believe, in reviewing the license application, that additional studies are needed, they may request them pursuant to section 4.32 of the Commission's regulations.

For the reasons explained above, the TLP with early scoping should adequately address the stakeholders' concerns and I am granting Big Chino's request to use the TLP.

Section 4.38 (a through h) of the Commission's regulations describes the pre-filing steps that need to be completed when preparing an application for a hydropower license under the TLP, including consultation and conducting necessary studies. Specific steps that will need to be carried out during pre-filing consultation include an initial joint agency/public meeting and site visit; an opportunity for participants to request studies;

preparation and participant review of a draft application; and a meeting to resolve any disputes on the draft application. Please note that the initial joint agency/public meeting, is required to be held no sooner than 30 days, nor later than 60 days, from the date of this letter.

If you have any questions, please contact Kim Nguyen at (202) 502-6105 or via email at kim.nguyen@ferc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "V. Yearick", with a long horizontal stroke extending to the right.

Vince Yearick
Director
Division of Hydropower Licensing