

## FEDERAL RULEMAKING

**Greenhouse Gas Emissions** – On December 7, 2009, the EPA issued its “endangerment finding” that greenhouse gases threaten the public health and welfare. The finding was published in the Federal Register on December 15, 2009 and became effective on January 14, 2010. On May 13, 2010, the EPA issued a final “tailoring” rule regarding greenhouse gas emissions from stationary sources to be regulated under the Clean Air Act permitting programs.

*Monitor proposals to regulate greenhouse gas emissions from large facilities under the Clean Air Act.*

**EPA Final Rule, Reporting of Greenhouse Gases (GHG)** – On December 17, 2010, EPA published in the Federal Register final revisions to certain provisions of the Greenhouse Gas (GHG) Reporting Rule, initially published on October 30, 2009, that established EPA’s Greenhouse Gas Reporting Program. The GHG Reporting Program requires annual reporting of GHGs from certain large emissions sources and energy suppliers in the United States. These final revisions will apply to data reported to EPA in March 2011.

*Monitor implementation of final rule that mandates reporting of greenhouse gases.*

**National Ambient Air Quality Standards for Ozone** – On January 19, 2010, the EPA proposed new National Ambient Air Quality Standards (NAAQS) for ozone. The current primary standard of 0.075 parts per million (ppm) was proposed to be reduced to a level within the range of 0.060 and 0.070 ppm. The power industry is one of the largest emitters of nitrogen oxides (NOx) and volatile organic compounds, the principal sources of ozone. Navajo County, in which NGS is located, reportedly would not meet the new primary standard for ozone.

In December 2010, the EPA announced a delay in the final issuance of the ozone standard until no later than July 31, 2011 in order to ask a panel of clean-air experts for “further interpretation” of the studies they relied upon in making their recommendation for a lower ozone standard.

*Monitor EPA’s promulgation of new NAAQS for ozone.*

**EPA Rule, Hazardous Air Pollutants (HAP), Maximum Achievable Control Technology (MACT)** – The National Emissions Standards for Hazardous Air Pollutants (NESHAPs) are emissions standards established for air pollutants not covered by National Ambient Air Quality Standards. The standards for a particular source category require the maximum degree of emission reduction that the EPA determines to be achievable, known as the Maximum Achievable Control Technology (MACT). EPA is currently promulgating a rule to cover emissions of trace metals, acid gases and organics. Mercury, once anticipated to be covered under a separate rule, now will be covered under this rule. EPA has issued an Information Collection Rule (ICR) to 500 coal- and oil-fired generation facilities, requiring them to conduct testing for HAPs in order to inform the rule development and to develop background data on emissions. A draft rule is due by March 2011, with a final rule due by November 2011.

*Monitor development of draft rule (due March 2011) and final rule (due November 2011) for potential impact on NGS.*

**EPA Final Rule: Drinking Water Contaminant Candidate List 3 (CCL 3)** – CCL 3 is a list of contaminants that are currently not subject to any proposed or promulgated national primary drinking water regulations that are known or anticipated to occur in public water systems and may require regulation under the Safe Drinking Water Act. On March 22, 2010, the EPA announced that it would overhaul drinking water regulations to allow evaluation and regulation of large groups of similar contaminants at the same time, as opposed to current agency policies that require regulators to examine pollutants one at a time.

*Monitor the implementation of the final rule on the Drinking Water Contaminant Candidate List 3.*

**Coming Together for Clean Water: EPA’s Strategy for Achieving Clean Water** – On April 15, 2010, EPA convened a one-day forum in Washington, D.C., and revealed the agency’s draft strategy to protect and restore the nation’s lakes, streams and coastal waters. The strategy is designed to chart EPA’s path in furthering the EPA Administrator’s key priority of protecting America’s waters. The agency has identified two priority areas to be addressed through this strategy: healthy watersheds and sustainable communities.

*Monitor this draft strategy for possible impacts to CAP operations.*

**While these issues define the primary legislative agenda of CAP, the Business Planning and Government Programs Team will come before the CAP Board of Directors on a regular basis to seek guidance and direction on the various proposed rules, bills and amendments that may arise during the coming year.**

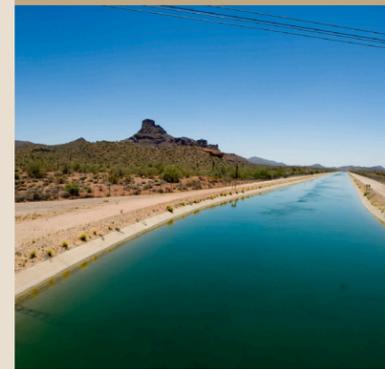


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# 2011 Federal Legislative Agenda

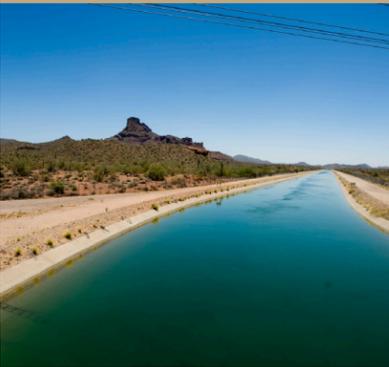


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# Central Arizona Project 2011 Federal Legislative Agenda

## PRIORITY ISSUES

**Environmental Protection Agency (EPA) Rulemaking Regarding Navajo Generating Station (NGS) Emissions Control** – The EPA's proposed Best Available Retrofit Technology (BART) rulemaking for nitrogen oxide emissions (NOx) control at NGS has been on-going since August 2009. Along with other pending environmental regulations that may affect this coal-fired power plant, the outcome of this rulemaking likely will determine the future affordability of water delivered to our customers, including Native American Tribes.

CAP has been actively engaging stakeholders and elected officials at the federal and state levels to help ensure that EPA balances the need to meet the goals of the Clean Air Act with the potential impacts to economic and water management issues resulting from its BART determination.

*Continue efforts to engage elected officials, stakeholders, and governmental agencies in influencing the EPA to apply due weight to the economic impacts of its BART determination for NGS.*

**Climate Change and Energy Legislation** – CAP is in a unique position as the only federal Reclamation project in the U.S. that has a coal-fired power plant as a project component. CAP uses large amounts of energy from NGS to pump water but is not an energy provider or electric utility. If future climate-related legislation does not appropriately recognize CAP's unique status as an energy user, CAP water rates may increase significantly and the marketability of NGS surplus power may be reduced.

*Monitor legislative efforts and respond appropriately to achieve recognition that the energy used for CAP pumping and Navajo Surplus is on par with other energy providers at NGS.*

**EPA Water Transfer Rule** – CAP and other western water interests have been active participants in court cases involving the issue of whether or not Clean Water Act discharge permits National Pollutant Discharge Elimination System (NPDES) are required for water transfers. EPA's existing rule, which is strongly supported by Western water interests, exempts water transfers from NPDES requirements. Although the U.S. Supreme Court recently elected not to intervene in a lower court decision upholding the Agency's existing rule, EPA still appears likely to follow through on its stated intent to reconsider the rule.

*Engage in all activities necessary to convince the EPA not to withdraw the existing rule or to modify the rule in any way that negatively impacts CAP.*

**Highway 95 Road Improvements, Lake Havasu City, Arizona** – For several years, a safety issue has existed on the portion of Highway 95 that provides access to the Mark Wilmer Pumping Plant and the National Wildlife Refuge/US Fish and Wildlife (USFWS) facility. The Federal Highway Administration, Arizona Department of Transportation, USFWS, Bureau of Reclamation and CAP all have agreed on a roadway design to correct the safety hazards, and ADOT's design plans are complete. Costs for this project are estimated to be \$3.3 million.

USFWS has successfully appropriated its 50% share of the construction funding and will support the CAP in securing funding to fulfill its project construction obligation.

*Work with the U.S. Fish & Wildlife Service and the Arizona Congressional delegation to pursue funds needed to complete this project.*

## ISSUES THAT REQUIRE CAP INVOLVEMENT WITH OTHER STAKEHOLDERS

**Post 2017 Hoover Power Reallocation** – The existing consumers of Hoover power in Arizona, California and Nevada ("the Hoover Power coalition") proposed legislation in 2010 that would extend for an additional 50 years Hoover power contracts that currently are set to expire in 2017. As a result of extensive negotiations with other stakeholders, the bill included provisions to establish a new pool of power for federally recognized Indian Tribes and other eligible entities that do not currently purchase Hoover power. This new "Schedule D" power would have been established by setting aside 5% from current Hoover contractors.

Although the legislation was passed by the House and a companion Senate bill passed out of committee, the bill's supporters were not able to move an omnibus lands and energy bill, including the Hoover power bill, out of the Senate during the final days of the 111th Congress. The Hoover Power coalition will renew its efforts to pass this legislation during the new Congress.

*Work with the appropriate stakeholders to seek final passage of this legislation.*

**Clean Water Restoration Act** – The language of the Clean Water Act limits the Act's jurisdiction to "navigable waters of the United States". The U.S. Supreme Court has ruled in two separate cases that the phrase "navigable waters" includes only permanent and continuously flowing bodies of water and does not apply to channels where water flows intermittently or that periodically provide drainage for rainfall.

Legislation was introduced during the 111th Congress to expand the coverage of the Clean Water Act by deleting the reference to "navigable" in the Act, but failed to pass in the face of broad opposition.

*Continue to oppose expansion of the coverage of the Clean Water Act from "navigable waters of the United States" to "waters of the United States."*

**Lower Colorado River Water Quality Issues** – The Colorado River provides a critical supply of municipal drinking water, agricultural irrigation water, water for wildlife habitat and water for recreation for the Lower Basin states of Arizona, California and Nevada. Protection of the Colorado River's water quality is vital to maintaining these beneficial uses. Like almost any surface water body, the river is subject to contaminants from a variety of sources. Over the years, a number of water quality issues have been identified by Colorado River stakeholders that may pose an immediate or long-term threat to the river's water quality.

Arizona, California and Nevada all have an interest in working together to protect the quality of water in the Lower Colorado River.

*Work collaboratively with stakeholders to proactively coordinate research efforts, data sharing, and potential funding opportunities for mitigation of water quality concerns, and develop legislation if necessary.*

**Navajo/Hopi Water Rights Settlement Legislation** – CAP staff continue to work with other stakeholders to negotiate a comprehensive settlement of the claims of the two tribes to the Lower Colorado River, the Little Colorado River and groundwater in the vicinity of the reservations. If settlement negotiations are successful, we will seek federal legislation to authorize and fund the settlement.

*Continue to seek a settlement of these water rights claims and support legislation necessary and appropriate to implement a settlement.*

**Salinity Control Funding** – The threat of salinity is a major concern along the Colorado River and its tributaries. Salinity affects agricultural, municipal, and industrial water users in both the United States and Mexico. The Secretary of the Interior, acting through the Bureau of Reclamation, is authorized to implement a basin-wide salinity control program. The Secretary may carry out the purposes of this legislation directly, or make grants, enter into contracts, memoranda of agreement, commitments for grants, cooperative agreements, or advances of funds to non-federal entities under such terms and conditions as the Secretary may require.

*Support federal funding of salinity control activities.*

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