

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

917



FROM: Executive Office

SUBMITTAL DATE:
June 12, 2007

SUBJECT: Lake Elsinore Advanced Pumped Storage (LEAPS) Project

RECOMMENDED MOTION: That the Board of Supervisors receive and file the update on the Lake Elsinore Advanced Pumped Storage (LEAPS) Project.

BACKGROUND: The Executive Office is responsible for providing updates to the Board of Supervisors on a quarterly basis concerning the LEAPS Project. On May 1, 2007 the California Independent System Operator (CAISO) Board of Directors, a nonprofit corporation that manages the power grid voiced opposition to the financing plan for the Lake Elsinore Advanced Pumping Storage (LEAPS) project

(Continued)

Michael R. Shetler

Michael R. Shetler, Senior Management Analyst

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2006/2007
SOURCE OF FUNDS: N/A				Positions To Be Deleted Per A-30 <input type="checkbox"/>
C.E.O. RECOMMENDATION: APPROVE				Requires 4/5 Vote <input type="checkbox"/>

County Executive Office Signature

Gary M. Christmas
Gary M. Christmas

- Consent
- Policy
- Consent
- Policy

Dept's Recomm.:
Per Exec. Ofc.:

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
RE: LAKE ELSINORE ADVANCED PUMPED STORAGE (LEAPS) PROJECT**

PAGE 2

BACKGROUND CONTINUED:

in a comment letter sent to the Federal Energy Regulatory Commission (FERC), which is considering licensing the LEAPS project. A copy of the comment letter from CAISO to FERC is attached for your review.

Nevada Hydro Company, a Vista, California based company working with the Elsinore Valley Municipal Water District to build the LEAPS project requested approval from FERC for inclusion in the Independent System Operator's "transmission access charge," which splits the cost of projects among users of the CAISO-controlled power grid. The charge, which would be passed on to electricity consumers, would give Nevada Hydro Company and its investors a guaranteed return on their investment.

In developing a response back to FERC, the CAISO Board directed staff to conduct a robust stakeholder's process including outreach opportunities for written comments and two workshops where testimony was taken concerning issues with the LEAPS project. Based upon the input from stakeholders as well as their own evaluation CAISO concluded that the recovery of costs of the pumped storage facility portion of the combined proposed project through the CAISO Transmission Access Charge (TAC) should not be allowed, nor should the CAISO assume operational control of the pumped storage facility, other than performing its normal role with respect to the operation of generating units.

Based on the CAISO analysis of the pumped storage facility, they further concluded that there is nothing unique about the benefits of the LEAPS project that cannot be obtained from the competitive market.

According to project opponents, the LEAPS project would be difficult to build without the requested public financing.

There has been no action taken by the State Water Resources Board on the 401 Water Quality Standards Certification for the LEAPS project.

The Executive Office will continue to work with the Planning Department on monitoring the LEAPS project and report back to the board any findings on a quarterly basis.