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



FROM: Executive Office

SUBMITTAL DATE:
October 2, 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.

(Continued)

Departmental Concurrence

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:	2007/2008

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

County Executive Office Signature

Gary M. Christmas
Gary M. Christmas

- Policy
- Consent
- Policy
- Consent

Dept't Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.: 2.5 on 3/27/07,
2.1 on 6/12/07

District: 1

Agenda Number:

2.14

RECEIVED RIVERSIDE COUNTY
CLERK / BOARD OF SUPERVISORS
2007 SEP 26 AM 11:19

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

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BACKGROUND CONTINUED:

There has been limited information regarding the status of the CEQA review as it relates to the LEAPS project. However, According to Forbes Magazine, Morgan Stanley Commodities a Principal Investor in Innovative Power Transmission Project has joined with Siemens and Nevada Hydro to create a new corporate entity, LEAPS Hydro, LLC, for the purposes of building, owning and operating the \$1.1 billion Lake Elsinore Advanced Pump Storage (LEAPS) project and the accompanying transmission lines to provide increased energy reliability to Southern California.

It is anticipated that the draft CEQA document will be available sometime in October or November with comments due in December 2007.

To date the Federal Energy Regulatory Commission has not issued a license for the LEAPS Project.

See attached press release.

PR Newswire - Press Release
LEAPS Secures Major Financial Backing
08.06.07, 12:02 PM ET

Morgan Stanley Commodities to Be Principal Investor in Innovative Power Transmission Project Joins with Siemens and Nevada Hydro in Meeting Southern California Power Needs LAKE ELSINORE, Calif., Aug. 6 /PR Newswire/ -- The Nevada Hydro Company today announced its agreement with Morgan Stanley Commodities to create a new corporate entity, LEAPS Hydro, LLC, for the purposes of building, owning and operating the \$1.1 billion Lake Elsinore Advanced Pump Storage (LEAPS) project and the accompanying transmission lines to provide increased energy reliability to Southern California.

LEAPS and the corresponding transmission lines will become the first major hydro-electric project constructed in the United States in approximately 20 years. "We are excited about the prospect of bringing clean and reliable energy to the people of Southern California, and Morgan Stanley's involvement means this project can become a reality," said Nevada Hydro Vice President Rex Wait.

Having already completed federal environmental documents, the project is pending final federal license approval by the Federal Energy Regulatory Commission. Once final approvals are granted by the State of California and FERC, it will be possible to begin construction and come on line as soon as possible.

"The fact that LEAPS and the corresponding transmission line is primarily located in the Cleveland National Forest minimizes the project's impact on local property owners and provides a unique ability to help address water availability and water quality issues in Lake Elsinore," Wait added. Once completed, LEAPS will be ready to store and generate 500 megawatts on a moment's notice by releasing water from an upper reservoir in Decker Canyon into Lake Elsinore -- ensuring needed energy reliability. The project will be a long-term anchor tenant for Lake Elsinore, providing a long term source of revenues for the maintenance of water quality and lake levels at Lake Elsinore, Southern California's largest natural lake.

A major benefit that LEAPS brings to the power grid is that it provides a place to store renewable energy generated in off-peak times and then re-delivers that energy during high demand periods when the power is needed. The State of California's commitment to renewable energy resources creates a need for infrastructure like LEAPS to store and

redeliver energy. The innovative technology involved in LEAPS makes it possible to use the water stored in an upper reservoir to generate electricity during periods of high demand. This "stored energy" resource means electricity can be produced without using traditional power plants using coal and fossil fuels to run the turbines that create power. Known in the industry as "pumped storage," the LEAPS project enables state energy managers to have a reliable energy source that can be tapped when other renewable resources (wind and solar) are unavailable to residential and commercial electricity customers. "This is a unique opportunity to participate in a world class project and provide a clean energy solution to the power needs of Southern California," according to Arlin Travis, Executive Director, Morgan Stanley.

In addition to Nevada Hydro and Morgan Stanley, Siemens Power Transmission & Distribution, Inc., and Voith Siemens will provide the innovative technology to the project to create a world-class pumped storage hydro project. Voith Siemens will supply the water turbine generators to create the 500 MW of power while Siemens Power Transmission & Distribution will be responsible for a state of the art transmission system that will include a short section of underground 500kV transmission to mitigate hang gliding activities.

In addition to reliability, LEAPS also helps ease the problem of power transmission capacity in Southern California. Currently, there is not enough ability to move electricity in the state. By building transmission lines to connect LEAPS to both Southern California Edison and San Diego Gas & Electric systems, added capacity will be provided to the state's overly congested electricity corridor. "This important connection will provide added reliability to the electricity consumers in San Diego, and we are excited about the opportunity to help electricity consumers all across Southern California," said Wait.

The Nevada Hydro Company was founded by Rex Wait and Peter Lewandowski in Nevada for the purpose of building LEAPS and the corresponding transmission line. The principals of Nevada Hydro include Wait, who has extensive experience in constructing power projects across the globe and Lewandowski who has an extensive track record managing environmental mitigation.

Morgan Stanley (NYSE: MS) is a leading global financial services firm providing a wide range of investment banking, securities, investment management and wealth management services. The Firm's employees serve clients worldwide including corporations, governments, institutions and individuals from more than 600 offices in 31 countries. For further information about Morgan Stanley, please visit <http://www.morganstanley.com>.

Nevada Hydro has also retained the consulting firm Devine Tarbell & Associates, Inc. (DTA) to assist with advancing the preliminary engineering performed to date on the project. DTA is a national leader in hydroelectric and, particularly, pumped storage services with over 150 professional engineers, scientists and regulatory specialists, and offices in eight domestic locations.

Voith Siemens Hydro Power Generation is a Group Division of Voith and -- with a workforce of around 2,500 employees and an order intake of around 720 million Euro in the past business year -- Voith Siemens Hydro Power Generation is one of the world-wide leading companies for hydro power equipment. Voith is setting standards in the markets of paper, energy, mobility and service. Founded on January 1, 1867, and currently with around 34,000 employees, a turnover of 3.7 billion Euro, and 250 locations worldwide, Voith is one of Europe's largest family-owned companies.

Siemens Power Transmission & Distribution, Inc. (SPT&D) creates innovative product, system and service solutions for its customers -- electric utilities, transmission organizations, Independent System Operators, and large energy consumers. SPT&D is a leading supplier of high and medium voltage power delivery equipment, energy management systems, network planning and power system engineering software for regulated and deregulated generation, transmission, and distribution markets. Headquartered in Raleigh, NC, SPT&D's products and systems are used to increase power system capacity and improve the reliability, stability and flexibility of power delivery and network control systems.

"Morgan Stanley's investment into LEAPS at this time means we are closer than ever to finally being able to begin providing clean and reliable energy to the people of Southern California, ultimately reducing their rates. We look forward to bringing this valuable asset online as soon as possible," concluded Wait.

SOURCE Nevada Hydro -0- 08/06/2007 /CONTACT: Chris Wysocki for Nevada Hydro/
/Web site: <http://www.morganstanley.com> / (MS) CO: Nevada Hydro; Morgan Stanley;
Voith Siemens Hydro Power Generation; Siemens Power Transmission & Distribution,
Inc.; SPT&D; LEAPS Hydro, LLC ST: Nevada, California IN: OIL SU: JVN AR-PT --
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