

July 1, 2014

**Via Electronic Filing – www.FERC.gov**

Jeff C. Wright  
Director, Office of Energy Projects  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

Re: **Project No. P-14227:** Comments of Southern California Edison Company Regarding Need to Update the 2007 Final Environmental Impact Statement From Project No. P-11858

Dear Mr. Wright:

In response to the Nevada Hydro Company's ("Nevada Hydro") letter dated April 22, 2014, Southern California Edison Company (SCE) submits its comments on the 2007 Final Environmental Impact Statement ("2007 FEIS") for the proposed Lake Elsinore Advanced Pump Storage Project ("LEAPS"). The letter requested comments regarding the 2007 FEIS for the LEAPS project, which was originally filed under Proceeding No. P-11858 with the Federal Energy Regulatory Commission ("FERC" or "Commission").<sup>1</sup>

SCE is concerned that the information submitted by Nevada Hydro intended to support the purpose and need to develop LEAPS, and which resulted in the 2007 FEIS, is likely obsolete. The General Manager of Elsinore Valley Municipal Water District ("District") recently indicated that the District and Nevada Hydro did not have any relationship in place that would allow Nevada Hydro to access the District's water resources, such as Lake Elsinore.<sup>2</sup> Without the District as a

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<sup>1</sup> Letter from David Kates, The Nevada Hydro Company, to multiple parties, re. Lake Elsinore Advanced Pumped Storage Project FERC Project No. P-14277, dated April 22, 2014, filed in Proceeding No. P-11858 ("Nevada Hydro Letter"). This letter was filed in Proceeding No. P-14227 on April 22, 2014.

<sup>2</sup> Letter from John D. Vega, General Manager of Elsinore Valley Municipal Water District ("EVMWD"), to Jeff C. Wright, Director, Office of Energy Projects, Federal Energy Regulatory Commission, re. Inadequacy of the 2007 Environmental Impact Statement for Consideration of LEAPS License Application (Project No. P-14227), dated May 6, 2014, at pp. 3-4 ("District Letter"). This letter was filed in Proceeding No. P-14227 on May 6, 2014.

development partner for LEAPS, it is not clear how Nevada Hydro may feasibly obtain the requisite water in the project area to develop a pumped storage facility. As discussed within, the loss of water resources likely impacts the purpose and need for the project, and thus may impact the need for FERC licensing.

The 2007 FEIS should also be updated to reference SCE's planned Alberhill 500kV substation as the point of interconnection for the 13-mile long northern primary line identified in the 2007 FEIS. A negotiated agreement between SCE, Nevada Hydro and the California Independent System Operator ("CAISO") lists SCE's planned Alberhill 500kV substation as the point of interconnection that will interconnect LEAPS to SCE's Valley-Serrano line.<sup>3</sup> Alberhill substation is under licensing at the California Public Utilities Commission.

Finally, SCE addresses certain issues relating to Nevada Hydro's development goal to either (1) construct LEAPS as a pump storage facility using two transmission lines that interconnect to SCE and San Diego Gas & Electric Co. ("SDG&E") as described in the 2007 FEIS, or (2) to develop those two transmission lines as a single open access transmission line to be called the Talega-Escondido/Valley-Serrano 500 kV Interconnect Project ("TE/VS").

## I. PROCEDURAL AND FACTUAL HISTORY

### A. The Commission Dismissed Nevada Hydro's First License Application for LEAPS in Proceeding No. P-11858

In 2004, Nevada Hydro and the Lake Elsinore Municipal Water District, as co-applicants, filed an application to license, construct and operate the LEAPS hydro facility project in Proceeding No. P-11858.<sup>4</sup> FERC, as the National Environmental Policy Act lead agency, issued the 2007 FEIS for LEAPS on January 30, 2007.<sup>5</sup> The 2007 FEIS stated that LEAPS would interconnect to the

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<sup>3</sup> Negotiated Large Generator Interconnection Agreement, Appendix A, at *passim* (referring to Alberhill)("LEAPS LGIA"). The LEAPS LGIA is attached as Attachment B to the *Stipulation and Agreement of Settlement of the California Independent System Operator Corporation, Southern California Edison Company, and the Nevada Hydro Company, Inc., ER12-1302, ER12-1305, ER12-1312*, Southern California Edison Co., California Independent System Operator Corporation, ER12-1302, California Independent System Operator Corporation, ER12-1312 (consolidated)(*fld.* Dec. 18, 2013) ("LGIA Stipulation").

<sup>4</sup> *Order Denying Rehearing*, The Nevada Hydro Company, 137 FERC ¶61,133, at P1-P2. (Nov. 17, 2011).

<sup>5</sup> *Final Environmental Impact Statement*, Lake Elsinore Advanced Pumped Storage Project, Project No. P-11858 (*fld.* Jan. 30, 2007) ("2007 FEIS").

CAISO-controlled grid at two possible points: (1) SCE's Valley-Serrano line, to the north of LEAPS; and (2) SDG&E's Talega-Escondido line to the south of LEAPS.<sup>6</sup> Combined, the two primary lines span approximately 32 miles.<sup>7</sup> It should be noted that the 2007 FEIS stated that only one interconnection point would be required to achieve LEAPS' interconnection goals.<sup>8</sup> Commission staff favored interconnection to SDG&E's transmission line.<sup>9</sup>

Nevada Hydro decided not to develop the two primary lines as such. Instead, Nevada Hydro chose to combine and develop them as the networked open access TE/VS line.<sup>10</sup> Nevada Hydro explained that it would build and operate TE/VS first, and then later construct the powerhouse, which is the primary purpose and need for a transmission line and licensing by FERC.<sup>11</sup> Thus, TE/VS would necessarily operate independently of LEAPS. According to Nevada Hydro, the point of interconnection for LEAPS under this plan would be at the TE/VS line, and not at the lines owned by SCE or SDG&E identified in the 2007 FEIS.<sup>12</sup> The 2007 FEIS acknowledged and assessed Nevada Hydro's TE/VS developmental goals.<sup>13</sup> But the Commission has confirmed that its licensing authority only extends to primary lines – those that transmit power from the powerhouse (LEAPS) or appurtenant works of a project to the point of junction with the distribution

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<sup>6</sup> *Id.* at B-4, Sections 1.2.2 – 1.2.3.2. There was a third scenario, addressing the TE/VS line, which is discussed more thoroughly in Section I(B), *infra*.

<sup>7</sup> *Order Denying Rehearing*, 137 FERC ¶61,133, at P2; 2007 FEIS at B-21.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> 2007 FEIS, *supra* note 5, at xxii & Appendix B, at B-3, B-4.

<sup>11</sup> *Order Denying Rehearing*, 137 FERC ¶61,133, at P17 (recounting Nevada Hydro's assertions on timing); Request for Rehearing of the Nevada Hydro Company, Lake Elsinore Advanced Pumped Storage Project, P.11858-002, at 8 (*fld.* Aug. 11, 2011) ("Nevada Hydro Request for Rehearing") ("Sequencing transmission construction ahead of LEAPS also is only sensible . . . [t]he interconnection would be constructed ahead of LEAPS").

<sup>12</sup> Declaration of David Kates in Support of Request for Rehearing of the Nevada Hydro Company, Inc., at P2 ("The TE/VS Interconnect would serve as the interconnection of LEAPS to the regional transmission grid and also, under open access policies of the Commission, provide transmission service for all other customers requiring that service."). Mr. Kates' declaration is attached as Attachment D to the Nevada Hydro Request for Rehearing, *supra* note 11; Request for Rehearing *supra* note 11, at 2 (describing LEAPS as a TE/VS customer), 7 (same); *Motion to Intervene and Protest of The Nevada Hydro Company*, Southern California Edison Company, ER12-1302, at 13 (*fld.* April 11, 2012) ("LEAPS will interconnect with the CAISO controlled grid via the TE/VS Interconnect") ("Nevada Hydro LGIA Protest").

<sup>13</sup> 2007 FEIS, *supra* note 5, at Appendix B.

system or with the interconnected primary transmission system.<sup>14</sup> The Commission cannot license the open access TE/VS line.<sup>15</sup>

Nevada Hydro and the District disagreed about Nevada Hydro's open access transmission development goals. The District's primary goal was to develop LEAPS and interconnect it to lines owned by SCE or SDG&E using one or both of the primary lines referenced in the 2007 FEIS.<sup>16</sup> In contrast, Nevada Hydro's primary goal was to develop TE/VS as a standalone open access line, and not as a pumped storage project with associated transmission lines.<sup>17</sup>

The Commission's Office of Energy Products ("OEP") dismissed the application on July 12, 2011.<sup>18</sup> OEP explained that the co-applicants' divergent views on interconnection had made the application process unmanageable, and that it would be unreasonable to continue expending public resources.<sup>19</sup> OEP also explained that the Commission could not license the TE/VS line.<sup>20</sup> Nevada Hydro sought rehearing of the dismissal on August 11, 2011, stating that "Nevada Hydro is developing TE/VS as an open access line, open to all comers including LEAPS."<sup>21</sup>

The Commission affirmed the dismissal on November 17, 2011, stating that "Nevada Hydro has clearly chosen to pursue construction of the [TE/VS] line as a stand-alone transmission line."<sup>22</sup> The Commission agreed with OEP that the parties' diverging views made the licensing proceeding unmanageable.<sup>23</sup> The Commission also reminded Nevada Hydro that the Commission could not license TE/VS.<sup>24</sup>

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<sup>14</sup> *Order Dismissing Application*, 136 FERC ¶62,033, at P12; *Order Denying Rehearing*, 137 FERC ¶61,133, at P5, P26.

<sup>15</sup> *Id.*

<sup>16</sup> *Order Denying Rehearing*, 137 FERC ¶61,133, at P27.

<sup>17</sup> *Order Dismissing License Application*, 135 FERC ¶62,044, at P2, P6; *see also Order Denying Rehearing*, 137 FERC ¶61,133, at P26-P27.

<sup>18</sup> *Order Dismissing License Application*, 135 FERC ¶62,044, at P2, Ordering Paragraph (A).

<sup>19</sup> *Id.* at P14 ("it would be unreasonable to expend further public resources on this matter")

<sup>20</sup> *Id.* at P12.

<sup>21</sup> Nevada Hydro Request for Rehearing, *supra* note 11, at 2.

<sup>22</sup> *Order Denying Rehearing*, 137 FERC ¶61,133, at P1, P35, Ordering Paragraph (A).

<sup>23</sup> *Id.* at P34.

<sup>24</sup> *Id.* at P1, P26, P35.

**B. Nevada Hydro Submits a New Application for Licensing LEAPS in Proceeding No. P-14227 As the Sole Applicant**

One year later, Nevada Hydro filed a new application for LEAPS with itself as the sole applicant.<sup>25</sup> There is no relationship between the District and Nevada Hydro relative to the LEAPS project.<sup>26</sup> The Commission issued a preliminary permit to Nevada Hydro on October 24, 2012.<sup>27</sup> Nevada Hydro issued its request for comments to the 2007 FEIS via letter on April 22, 2014.<sup>28</sup>

Part I of the preliminary permit assumed that Nevada Hydro will interconnect LEAPS to the CAISO grid via one or both of the primary lines emanating from LEAPS and ending at lines owned by SCE and SDG&E.<sup>29</sup> However, Nevada Hydro's recent April 22, 2014, letter references the stand-alone TE/VS line.<sup>30</sup> This suggests the preliminary permit's assumption may be outdated.

**C. Nevada Hydro and Southern California Edison Agree to an LGIA That Lists SCE's Alberhill 500 kV Substation As the Point of Interconnection for LEAPS, Using a Primary Line**

In order to interconnect LEAPS to the CAISO grid, Nevada Hydro entered into negotiations with SCE and the CAISO to interconnect LEAPS at SCE's Valley-Serrano transmission line using a Large Generator Interconnection Agreement ("LGIA"). These negotiations occurred concurrently to the events described above, and culminated in Docket No. ER12-1302 and Docket No. ER12-1305 (consolidated). Nevada Hydro also sought to renegotiate an existing LGIA with SDG&E for the southern primary line in Docket No. ER12-1312.

The negotiations proved difficult, primarily because the parties disagreed on the purpose of an LGIA. SCE and the CAISO noted that a Large Generator Interconnection Agreement is used to

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<sup>25</sup> *Application for Preliminary Permit for the Lake Elsinore Advanced Pumped Storage Project*, The Nevada Hydro Company, Inc. Application for Preliminary Permit, No. P-14227 (*fld.* Jan. 26, 2012).

<sup>26</sup> District Letter, *supra* note 2, at *passim* (stating that parties' development agreement is cancelled; also stating that Nevada Hydro initiated P-14227 without the District's involvement).

<sup>27</sup> *Order Issuing Preliminary Permit and Granting Priority to File License Application*, 141 FERC ¶ 62071 (Oct. 24, 2012).

<sup>28</sup> Nevada Hydro Letter, *supra* note 1.

<sup>29</sup> *Order Issuing Preliminary Permit*, 141 FERC ¶ 62071, at P2.

<sup>30</sup> *Id.* (referencing TE/VS and providing a website link to Nevada Hydro's now-dismissed TE/VS licensing application before the California Public Utilities Commission).

interconnect a generation facility, like LEAPS, to the CAISO grid using a primary line.<sup>31</sup> In contrast, Nevada Hydro claimed that generator interconnection studies conducted pursuant to Commission-approved Large Generator Interconnection Procedures (“LGIP”) and the LGIA should be used to interconnect the TE/VIS standalone open access transmission line, with Nevada Hydro as a Transmission Owner.<sup>32</sup>

The Commission initiated settlement proceedings.<sup>33</sup> These negotiations proved successful and the parties submitted a negotiated LGIA for Commission approval on December 18, 2013.<sup>34</sup> The LGIA omits all of the references to TE/VIS that Nevada Hydro had previously demanded, and lists SCE’s planned Alberhill 500kV substation as the point of interconnection that will interconnect LEAPS to SCE’s Valley-Serrano line.<sup>35</sup> Alberhill substation is under licensing at the California Public Utilities Commission.<sup>36</sup> The parties are awaiting Commission approval of the negotiated LGIA.

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<sup>31</sup> *Motion for Leave to Answer and Answer of Southern California Edison Company to the Protest of The Nevada Hydro Company*, Southern California Edison Company, ER12-1302, at 2; *Answer to Protest of the California Independent System Operator Corporation*, California Independent System Operator Corporation, No. ER12-1305, at 4 (*fld.* April 26, 2012)(noting that Nevada Hydro’s goal to use the generator interconnection process to develop and interconnect the TE/VIS standalone line “would be inconsistent with the purpose of the generator interconnection process, which is to ensure that proposed generator can be interconnected to the ISO Controlled Grid safely . . . the generator interconnection process was never intended and not designed to address issues of development . . . of large-scale customer-owned transmission projects.”).

<sup>32</sup> Nevada Hydro’s decision to develop TE/VIS prior to (and thus without) LEAPS are supported in the authority referenced in note 11, *supra*. Nevada Hydro’s claims that the LGIA studies enabled interconnection of TE/VIS are referenced in its Protest filed in ER13-1302. Nevada Hydro LGIA Protest, *supra* note 9, at 1 (“The LGIA should provide for the interconnection to the CAISO grid; Appendix A (redlined LGIA).

<sup>33</sup> *Order Accepting and Suspending Notice of Termination and Agreement, Consolidating Proceedings, and Establishing Hearing and Settlement Judge Procedures*, 140 FERC ¶ 61,117, at Ordering Paragraph (B) (Aug. 12, 2012).

<sup>34</sup> LGIA Stipulation, *supra* note 3, LEAPS LGIA, *supra* note 3, at Appendix A, *passim*.

<sup>35</sup> LEAPS LGIA, *supra* note 3, at Appendix A, *passim*.

<sup>36</sup> *In the Matter of the Application of Southern California Edison Company (U 338-E) for a Permit to Construct Electrical Facilities with Voltages Between 50kV and 200kV or New or Upgraded Substations with High Side Voltages Exceeding 50kV: Alberhill System Project*, No. A.09-09-022 (*fld.* Sept. 30, 2009).

## II. DISCUSSION

### A. The Commission Should Update the 2007 FEIS to Clarify the Purpose and Need of the Project, Licensing Requirements, and Environmental Resource Analysis

When the Commission issued the 2007 FEIS in Proceeding No. P-11858, the District was Nevada Hydro's co-applicant. Nevada Hydro is now the project's sole applicant and has not established whether water resources required for a pump storage facility are available. The 2007 FEIS should be updated to clarify the purpose and need for the project; state whether or not water resources are available to construct a pump storage facility; or state how Nevada Hydro intends to procure those resources.

Without the District as a development partner, it is not clear how Nevada Hydro may feasibly obtain the water in the project area needed to create a pump storage facility such as LEAPS. As stated in Section 1.2.1 of the 2007 FEIS, Need for Power and Transmission, "[t]he Commission must consider the public's need for power in its licensing decision. Because the proposed project is designed to provide peak energy, the key concern in this case is the projected need for peaking energy relative to future power requirements and planned resource additions."<sup>37</sup> Additionally, if the water resources in the project area are not utilized or available to create a pump storage facility, it is not clear that the impacts discussed in the 2007 FEIR are still appropriate. This is a longstanding concern. The Commission, in its 2011 order affirming the dismissal of P-11858, expressed uncertainty about Nevada Hydro's ability to operate this project without the District's cooperation.<sup>38</sup>

The Commission will also need to update the 2007 FEIS to accurately reflect Nevada Hydro's status before the California Water Resources Control Board ("CWRCB"). The 2007 FEIS indicated that Nevada Hydro would obtain a permit from CWRCB by March 1, 2007, for a Water

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<sup>37</sup> 2007 FEIS, *supra* note 5, at 1-3, Section 1.2.1.

<sup>38</sup> *Order Denying Rehearing*, 137 FERC ¶ 61,133, at P31, n.16 ("While Nevada Hydro asserts that it could operate the project without the District's cooperation, this prospect does not seem promising...").

Quality Certification for the LEAPS project, pursuant to Section 401 of the Clean Water Act.<sup>39</sup>  
The CWRCB denied Nevada Hydro's permit application on October 1, 2009.<sup>40</sup>

Finally, the 2007 FEIS is based on studies and assumptions published as early as 2001 and should be updated.<sup>41</sup> The District's May 2014 letter to the Commission identified many of the changes that have occurred in the project area since the 2007 FEIS issued, including changes to the area's biology, groundwater needs, and regulatory changes involving greenhouse gas emissions.<sup>42</sup> The loss of Lake Elsinore as a water resource for this project also impacts the 2007 FEIS' cost and developmental assumptions.<sup>43</sup> For example, the 2007 FEIS assumed that Nevada Hydro would pay the District an annual lake management fee of \$1.8 million to maintain Lake Elsinore at a minimum target elevation of 1,240 msl.<sup>44</sup> Without the District and its resources, the target elevation level goals and amount of the annual lake management fee no longer appear applicable. The scope of this update should address economic, developmental and environmental changes that have occurred since the 2007 FEIS was issued.

**B. The Commission Should Update the 2007 FEIS to Add the Correct Point of Junction/Interconnection for the Northern Primary Line**

The Commission should update the 2007 FEIS to add SCE's Alberhill substation as the point of interconnection that will interconnect LEAPS to SCE's Valley-Serrano line. The 2007 FEIS, which predates the parties' negotiated LGIA, lacks this information.

Notwithstanding the above, there are several issues surrounding the interconnection of LEAPS, which SCE takes this opportunity to address. The first goes to the Commission's licensing authority. Nevada Hydro suggested in its April 18, 2014, letter that it will develop the two primary lines referenced in the 2007 FEIS as the networked, stand-alone TE/VS transmission line.<sup>45</sup> SCE

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<sup>39</sup> 2007 FEIS, *supra* note 5, at 2-17, Section 2.4.2.3.

<sup>40</sup> *Order Denying Rehearing*, 137 FERC ¶ 61,133, at P6.

<sup>41</sup> *E.g.*, 2007 FEIS, *supra* note 5, at 3-36, Section 3.3.2.1, 3-54, 3-72.

<sup>42</sup> District Letter, *supra* note 2, at 4-7.

<sup>43</sup> *Id.* at 4-8 – 4-13 (describing costs associated with the use of Lake Elsinore as a water resource).

<sup>44</sup> 2007 FEIS, at 2-11 & n.15.

<sup>45</sup> Nevada Hydro Letter, *supra* note 1.



respectfully emphasizes that the Commission is only authorized to license primary lines. The Commission cannot license the TE/VS line.<sup>46</sup>

Next, if Nevada Hydro intends to build an open access line designated TE/VS, the LGIP is not the proper procedural vehicle for Nevada Hydro to apply for and study such a project; the CAISO already has an existing process for that purpose. The Commission indicated in 2008, and again in 2009, that Nevada Hydro should follow the CAISO's existing transmission planning process.<sup>47</sup> A Large Generator Interconnection Agreement is also the incorrect agreement to interconnect a standalone networked line.<sup>48</sup>

Finally, assuming Nevada Hydro decides to develop the two lines referenced in the 2007 FEIS as two primary lines, and not as TE/VS, it is worth repeating that only one of them would be needed to achieve the LEAPS project's interconnection needs.<sup>49</sup>

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<sup>46</sup> *Order Denying Rehearing*, 137 FERC ¶61,133, at P5, P26.

<sup>47</sup> *Order on Compliance*, Nevada Hydro Company, Inc.; California Independent System Operator, 129 FERC ¶61,098, at P11, P21-P22, P25 & n.33 (2009)(“The CAISO has requested clarification of whether the Commission’s March 2008 Order obviates the need for study of the proposed TE/VS Interconnect under CAISO’s transmission planning process. It does not.”); *Order Conditionally Accepting Interconnection Agreement*, California Independent System Operator, 123 FERC ¶61,140, at P14 (2008)(“we clarify that our acceptance of this non-conforming in-service date should not have any bearing on CAISO’s proceeding under Section 24 of its OATT”).

<sup>48</sup> *Order Denying Rehearing*, 137 FERC ¶61,133, at P17 (recounting Nevada Hydro’s assertions on timing); Nevada Hydro Request for Rehearing, *supra* note 8, at 8 (“Sequencing transmission construction ahead of LEAPS also is only sensible . . . [t]he interconnection would be constructed ahead of LEAPS”); *Order Issuing Preliminary Permit and Granting Priority to File License Application*, 141 FERC ¶62,071, at P4 (noting that in earlier proceeding the District’s goal was to develop LEAPS, but that “Nevada Hydro intended to first develop the LEAPS project transmission line as a stand-alone transmission line”).

<sup>49</sup> *Order Denying Rehearing*, 137 FERC ¶61,133, at P3 (2007 FEIS determined only one line needed to interconnect LEAPS); 2007 FEIS at B-21 (same).

### III. CONCLUSION

For the foregoing reasons, SCE respectfully urges that the 2007 FEIS should be updated.

Very truly yours.

A handwritten signature in black ink, appearing to read "Robert J. Kang", written over a horizontal line.

Robert J. Kang

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing:

**PROJECT NO. P-14227: COMMENTS OF SOUTHERN CALIFORNIA  
EDISON COMPANY REGARDING NEED TO UPDATE THE 2007 FINAL  
ENVIRONMENTAL IMPACT STATEMENT FORM PROJECT NO. P-11858,**

upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Rosemead, California, this 1st day of July, 2014.

*/s/ Monica L. Romero*

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