



THE HYDRO COMPANY, INC.

DBA THE NEVADA HYDRO COMPANY, INC.

November 25, 2005

Ms. Julia Souder
United States Department of Energy
Office of Electricity Delivery and Energy Reliability
1000 Independence Avenue, SW
Washington, DC 20585

**Subject: Notice of Intent to Prepare a Programmatic Environmental Impact Statement
Designation of Energy Corridors on Federal Lands in the Western United States
Section 368 of the Energy Policy Act of 2005**

Dear Ms. Souder,

In response to the United States Department of Energy's (DOE) "Notice of Intent" (NOI), as published in the September 28, 2005 Federal Register (70 FR 56647), The Nevada Hydro Company, Inc. (TNHC) hereby submits the following comments for consideration in the preparation of a programmatic environmental impact statement (PEIS) for the establishment of Section 368 energy right-of-way corridors (368 Corridors) on federal lands, as authorized under Section 368 in the Energy Policy Act of 2005 (Act).

Nomination of New Designated 368 Corridors

Since the proposed action to be examined in the PEIS is to designate corridors on federal land in the western United States for oil, gas, and hydrogen pipelines and electricity transmission and distribution facilities, the NOI notes that a preliminary set of new 368 Corridors will be identified through information obtained as part of the scoping process, as well as information from the energy transport industry, of which TNHC is a part.

TNHC and the Elsinore Valley Municipal Water District (EVMWD) are joint applicants for a proposed federal hydropower project and high-voltage transmission interconnect, now being processed by the Federal Energy Regulatory Commission (FERC) and the United States Department of Agriculture/United States Forest Service (USFS) under the provisions of the Federal Power Act of 1920 (FPA) and the Federal Land Policy and Management Act of 1976 (FLPMA). TNHC requests that the DOE include, as a new designated 368 Corridor, the transmission right-of-way associated with the proposed 500-megawatt Lake Elsinore Advanced Pumped Storage (LEAPS) Project, FERC Project No. 11858-002. The LEAPS transmission alignment is primarily located within the Cleveland National Forest – Trabuco Ranger District (CNF) and on lands under the jurisdiction of the United States Department of the Interior/Bureau of Land Management (BLM) and the United States Department of the Navy/United States Marine Corps (DON).

The approximately 30-mile LEAPS transmission alignment, which, when constructed, would become part of the interstate transmission system, extends from northern San Diego County to western Riverside County in a rapidly urbanizing area of southern California (Exhibit 1). As the

region continues to intensify, the establishment of key energy rights-of-way across federal lands will, in the future, become increasingly more difficult.

Because the proposed LEAPS transmission facility serves the dual role of “primary” lines for the proposed FERC-permitted hydropower project and provides a new “network” connection designed to interconnect existing transmission facilities operated by two of California’s public utilities (San Diego Gas and Electric, Southern California Edison), thus allowing for increased grid reliability, a separate special use permit (SUP) application has been filed with the USFS and with the BLM requesting authorization for a new high-voltage transmission alignment across USFS and BLM lands. Those USFS-permitted and BLM-permitted SUPs identify the separate or separable high-voltage transmission line as the Talega-Escondido/Valley-Serrano 500-kilovolt (TE/VS) Interconnect Project.

The TE/VS Interconnect Project, which is the same transmission line as associated with the LEAPS Project (Exhibit 2) but without the 500-megawatts of new hydropower generation, would serve to interconnect San Diego Gas and Electric’s (SDG&E) existing 230-kV transmission line extending between Talega and Escondido Substations (Talega-Escondido) in northern San Diego County and Southern California Edison’s (SCE) existing 500-kV line extending between SCE’s existing Valley and Serrano Substations (Valley-Serrano) in western Riverside County. As indicated in the California Energy Commission’s (CEC) “Strategic Transmission Investment Plan,” as adopted on November 21, 2005, the “transmission portion of the LEAPS Project is also known as the Talega-Escondido/Valley-Serrano 500-kV Transmission Line Project” (Footnote 17, p. 93).

Because the FERC-permitted LEAPS transmission line and the USFS-permitted and BLM-permitted TE/VS Interconnect transmission line follow the same proposed alignment, a single 368 Corridor designation would allow either or both projects to advance subject to the separate project-level decisionmaking of those federal agencies. The high-voltage electrical transmission alignment associated with the LEAPS and TE/VS Interconnect Projects are presently being examined in a joint project-level environmental impact statement (EIS), scheduled for release in late November or early December 2005. Operating under the provisions of an executed “Letter of Understanding” (LOU), FERC (federal lead agency) and the USFS (cooperating agency) are jointly preparing a single National Environmental Policy Act (NEPA) document.

TNHC’s request for designation of the LEAPS and TE/VS Interconnect Projects’ proposed transmission alignment as a new designated 368 Corridor is predicated upon the assumption that such actions would not result in any delay in the licensing, approval, or development of those projects or the NEPA process of which those projects are currently a part nor result in the identification of new terms, conditions, prescriptions, or recommendations imposing additional obligations, exactions, or other requirements upon those proposed electrical generation and transmission facilities. Because of the advanced nature of the permitting and environmental review processes associated with those projects, it is likely that federal actions concerning the LEAPS and TE/VS Interconnect Projects will conclude prior to the two-year schedule established under Section 368 of the Act.

Because of the projects’ importance in addressing identified transmission bottlenecks, since unforeseeable delays could result in a protracted project-level process, 368 Corridor designation is being requested if such action would best serve to fulfill the intent of the Act, namely, the expediting of applications for electricity transmission and distribution facilities on federal lands.

As stipulated in Section 368(e) of the Act, a corridor designation shall, at a minimum, specify the centerline, width, and compatible uses of the corridor. Through the current project-level decisionmaking, TNHC, working in cooperation with FERC, the USFS, BLM, and the DON, will be establishing a defined centerline and width. Through the SUP process, the USFS and BLM will specify use restrictions and identify other compatible uses.

Documentation of Need for Corridor Designation

Evidence of the need for the proposed transmission facility has been documented in the California Independent System Operator's (CAISO) "Southwest Transmission Expansion Plan" (Exhibit 3) and in the California Energy Commission's (CEC) "Upgrading California's Electric Transmission System: Issues and Actions for 2005 and Beyond" (August 30, 2005) (Exhibit 4).

As indicated in the CEC's "Strategic Transmission Investment Plan" (November 21, 2005), the transmission component of LEAPS could strengthen the CAISO grid by providing a 500-kV interconnection between San Diego Gas and Electric's (SDG&E) and Southern California Edison's (SCE) service territories. Specifically, "the state's existing 500 kV bulk transmission 'backbone' runs from the Oregon border through the SCE service territory but does not connect with the San Diego area. San Diego's system currently connects to the rest of California via 230 kV lines running north through San Onofre Nuclear Generating Station and 500 kV lines running east to Imperial Valley. A northern 500 kV interconnection would improve the reliability of California's transmission system and increase the state's overall ability to import lower-cost power from Arizona, Mexico, and the Desert Southwest. In its April 2, 2004, Motion to Intervene at the FERC, the CAISO noted that 'The transmission line proposed in association with the Lake Elsinore Pumped Storage Project would allow the San Diego area to import substantially more power from surrounding areas and would greatly enhance electric system reliability" (p. 68).

The LEAPS and TEVS Interconnect Projects alignment was one of only seven projects that meet the CEC's "core evaluation criteria," as established under Section 25324 of the California Public Resources Code (PRC), and examined in the "Strategic Transmission Investment Plan." As indicated in the PRC, the strategic plan shall identify and recommend actions required to implement investments needed to ensure reliability, relieve congestion, and meet future load growth in load and generation, including, but not limited to, renewable resources, energy efficiency, and other demand reduction measures.

The CEC concluded that the transmission component of "LEAPS may offer substantial benefits to California and is worthy of further monitoring and consideration." However, one of the key issues that prevented the CEC's current recommendation for short-term investment related to the uncertainty in permitting a transmission alignment across federal lands (i.e., "Because the proposed transmission component of LEAPS would travel through the Cleveland National Forest and portions of Department of Defense and other public lands, the project would be subject to the requirements of the USFS, the Environmental Protection Agency, and the Bureau of Land Management" [p. 68]). The DOE's establishment of a new 368 Corridor following the LEAPS and TEVS Interconnect Projects alignment would demonstrate to the State of California the federal government's willingness to utilize federal lands in a cooperative effort to resolve the State's identified power needs. That affirmative action would likely predicate the CEC's "future consideration" (p. 68) and subsequent endorsement.

LEAPS and TE/VS Interconnect Projects Meet Section 368 Corridor Designation Criteria

As indicated, the LEAPS and TE/VS Interconnect Projects are being jointly processed by FERC and the USFS under a single project-level EIS, scheduled for release in late November or early December 2005. As indicated in the accompanying administrative record and as summarized below the proposed LEAPS and TE/VS Interconnect Projects' transmission alignment fully meets the DOE's identified criteria for new 368 Corridor designation.

- **Need for upgraded and new transmission and distribution facilities.** With the 2005 energization of the Path 15 upgrade strengthening the connection between northern and southern California, the CAISO has shifted its focus to addressing the transmission bottlenecks affecting southern California. In order to help the CAISO implement needed upgrades and enhance the region's backbone transmission system, the CAISO created the STEP planning process. Because the LEAPS and TE/VS Interconnect Projects will create a new connection between the SDG&E and SCE transmission systems and is far more advanced in its permitting, STEP has selected the those alignments as a favored long-term enhancement.

As indicated in the CEC's "Strategic Transmission Investment Plan," in San Diego, limited transmission capacity from the Imperial Valley area and Mexico, coupled with significant new generation development outside of California have created significant transmission congestion. As further indicated in the CAISO's "Comparative Reliability Evaluation for Alternative New 500 kV Transmission Lines into San Diego" (May 17, 2004): "Studies conducted by the Southwest Transmission Expansion Plan in 2003 indicate that a new 500 kV line into San Diego will be needed to serve future load growth. The final report of the San Diego Gas and Electric 2003 grid assessment and transmission expansion plan re-enforces the need for an increase in San Diego's import capability, which is currently 2850 MW. This deficiency is primarily due to the inability to permit the Valley-Rainbow 500 kV line, the planned retirement of the South Bay generation unit in 2009, and increasing load in San Diego. STEP examined several options for routing a new line to San Diego. Several alternative transmission lines were considered from Imperial Valley into San Diego as well as the new 500 kV line associated with the Lake Elsinore Advanced Pumped Storage Project" (Executive Summary). STEP has concluded that multiple new transmission projects are required to ensure reliability. The LEAPS project, in combination with the Imperial Valley-San Diego Expansion Plan, can support a San Diego import level of 3600 MW.

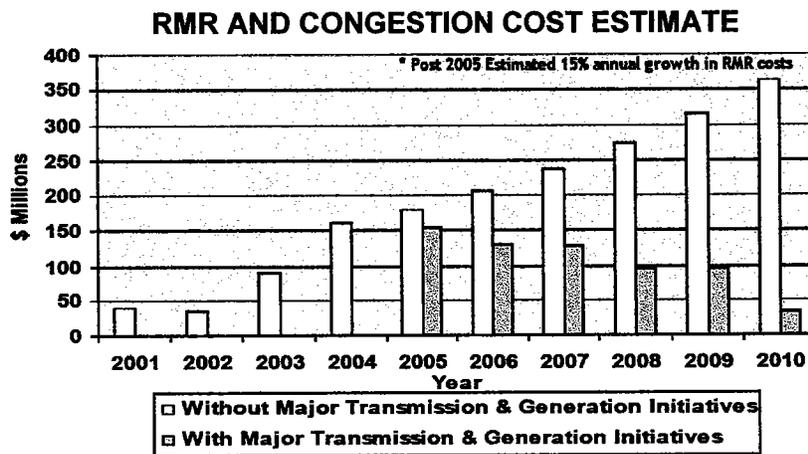
- **Improved reliability and relieve congestion.** The LEAPS and TE/VS Interconnect Projects will dramatically improve the reliability of the region's electric transmission grid by providing an "energy superhighway" that would reduce congestion on existing lines and help protect against future transmission outages that can lead to blackouts. Industry forecasts show that SDG&E customers will require more energy than can be produced locally or imported on existing electric transmission lines before 2010. Currently, SDG&E's electric transmission system has only two links to the state's energy grid. At peak times, when demand is high, these two connections near capacity. Expanding the region's transmission system will increase the public utility's electricity import capability and provide more options to handle the power needs of the region.

The CAISO has chosen to focus on the region because of the high costs incurred to assure reliability and relieve congestion. For example, in 2006, SDG&E will incur over \$200 million in reliability must-run (RMR) and congestion costs. Without further action, these costs will increase to over \$350 million by 2010. Because the LEAPS and TE/VS Interconnect Projects will allow the import of significant energy and capacity, much of those costs would be avoided by the implementation of their associated transmission lines. By allowing for this importation and by creating a loop for the SDG&E system, the LEAPS and TE/VS Interconnect Projects are able to improve reliability and relieve congestion.

- **Enhance the capability of the national grid to deliver electricity.** Because of the congestion and inadequate connection between SDG&E and the rest of the interstate grid, the current capability of the national grid to deliver electricity to the region is severely limited. The LEAPS and TE/VS Interconnect Projects will help reduce energy costs by accessing cheaper power generated outside the region and providing options to ensure electricity prices remain competitive within the region. By increasing the amount of electricity that can be imported, the reliance on local, aging power plants that are less efficient and more expensive to operate can be reduced, thus producing tangible environmental benefits.

LEAPS and TE/VS Interconnect Projects Provide Significant Cost Saving to Ratepayers

As indicated in “Testimony at the Committee Hearing Before the California Energy Resources Conservation and Development Commission in the Matter of Preparation of the 2005 Integrated Energy Policy Report” (August 30, 2005), the following slide was presented showing SDG&E’s estimate of the costs its ratepayer’s face if new transmission is not built:



Based on that information, the transmission lines associated with the LEAPS and TE/VS Interconnect Projects, with an in-service date of 2007, will save ratepayers roughly \$600 million in the three years it will be operating before SDG&E’s proposed Sunrise Power Link Project (Sunrise) is optimistically scheduled to be on line (2010). The above figure illustrates additional savings to ratepayers if SDG&E were to run into opposition or unanticipated permitting issues that cause Sunrise to be delayed beyond 2010. Because it primarily involves a private-property route, substantial opposition to that route would be anticipated. According to the above figure,

the transmission lines associated with the LEAPS and TE/VS Interconnect Projects could save ratepayers an additional \$300 million during that year (2010) alone.

While the above figure demonstrate the substantial savings the LEAPS and TE/VS Interconnect Projects will afford, with the addition of the proposed 500-megawatt pumped storage facility in 2009, the LEAPS and TE/VS Interconnect Projects will provide: (1) a wires and non-wires solution to the grid; (2) a tool to help manage intermittent renewable resources near to the load center; (3) immediately reactive load balancing; and (4) a wealth of other benefits including market power mitigation and improved reliability.

Milestones Achieved

As evidenced by the following events, the LEAPS and TE/VS Interconnect Projects are already substantially advanced. Although subject to a separate NEPA process, because the alignment traverses federal lands, the outcome of that NEPA process remains uncertain and subject to the independent discretionary actions of a number of federal agencies, including FERC, the USFS, the BLM, and the DON. TNHC believes that the establishment of a new 368 Corridor would facilitate project-level decisionmaking by those federal agencies.

Key milestones associated with the LEAPS and TE/VS Interconnect Projects include:

- “Final License Application for a Major Unconstructed Project – Lake Elsinore Advanced Pumped Storage Project, FERC Project No. 11858” (FLA) filed on February 4, 2004.
- “Notice of Intent to Prepare an Environmental Impact Statement” published in the Federal Register by FERC on August 9, 2004.
- “Notice of Preparation of a Draft Environmental Impact Report” (NOP) published by the Elsinore Valley Municipal Water District on September 7, 2004.
- “Scoping of Environment and Social Issues for a New License for the Lake Elsinore Advanced Pumped Storage Project, FERC No. P-11858-002, California” (SD2) issued by FERC on January 25, 2005.
- “Notice of Application Ready for Environmental Analysis and Soliciting Comments, Recommendations, Terms and Conditions, and Prescriptions” (REA) issued by FERC on February 28, 2005.
- “Interconnect Application” filed with the CAISO by TNHC in April 2005.
- “System Impact Study” (SIS) is now in preparation by SDG&E, SCE, and the CAISO.
- “Letter of Understanding” (LOU) executed by FERC and the USFS on June 2, 2005.

In September 2005, the USFS adopted a “Record of Decision” (ROD) for an updated land and resources management plan for the CNF. As indicated in the “Final Environmental Impact Statement – Land Management Plans” (R5-MB-074-A): “The Western Regional Corridor Planning Partnership (WRCPP) has identified two new unoccupied utility corridor segments on the Cleveland National Forest,” including the “Elsinore Mountain to San Mateo corridor” (Volume I, p. 65). Except where site-specific and project-specific information has dictated a change to the WRCPP-illustrated alignment (Exhibit 5), dated July 10, 2003, the “Elsinore Mountain to San Mateo corridor” generally reflects the transmission alignment now proposed for the LEAPS and TE/VS Interconnect Projects. Although not presently designated as a utility corridor in the current forest plan, the 2005 forest plan update allows for and supports the formal designation of that utility corridor, as depicted in a June 8, 2001 forest planning map (Exhibit 6).

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Requested Action

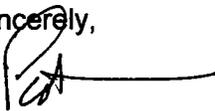
The LEAPS and TE/VS Interconnect Projects address the related issues of generation and transmission and have been formulated to respond to a CAISO-recognized regional need for new power connections serving a major urban center (San Diego). Additionally, pumped storage projects, such as LEAPS, provide unparalleled opportunities for the storage of renewable energy resources. Hydropower is a clean energy resource and provides electricity without the generation of air pollutants and greenhouse gases.

TNHC respectfully requests that DOE and the Secretaries include, as a recommended new 368 Corridor, the transmission right-of-way described in FERC Project No. 11858-002. This recommendation is based on the demonstrated ability of the LEAPS and TE/VS Interconnect Projects to meet the criteria set forth in the Act, as well as providing significant near-term benefits to California through improvements to system reliability, reduced congestion, and interconnection to and management of renewable resources.

The Act was intended to facilitate and not delay construction of new energy infrastructure. TNHC requests that the DOE treat the LEAPS and TE/VS Interconnect Projects in the manner that is most likely to meet the intent of the Act. The LEAPS and TE/VS Interconnect Projects should, therefore, be included in the Section 368 designation if that action will expedite their successful completion and not impose additional delays or hurdles that might otherwise impede timely implementation.

TNHC requests inclusion in the DOE's distribution list for any environmental, planning, or policy documents that may be subsequently released by the DOE with regards to the Section 368 corridor program. Correspondence should be directed to The Nevada Hydro Company, Inc., 2416 Cades Way, Vista, CA 92083 (Attn: Rex Wait, Vice President).

Sincerely,



Peter Lewandowski
President

Encl.: Exhibit 1 – Lake Elsinore Advanced Pumped Storage Project Regional Vicinity Map
Exhibit 2 – LEAPS and TE/VS Interconnect Transmission Alignment Map
Exhibit 3 – STEP System Map with LEAPS Connections
Exhibit 4 – California Energy Commission Strategic Transmission Investment Plan Map
Exhibit 5 - Eastern Regional Corridor Planning Partnership Map
Exhibit 6 – United States Forest Service Planning Map

c: Magalie R. Salas, FERC
Tina Terrell, USFS

**Exhibit 1
LAKE ELSINORE ADVANCED PUMPED STORAGE PROJECT
REGIONAL VICINITY MAP**

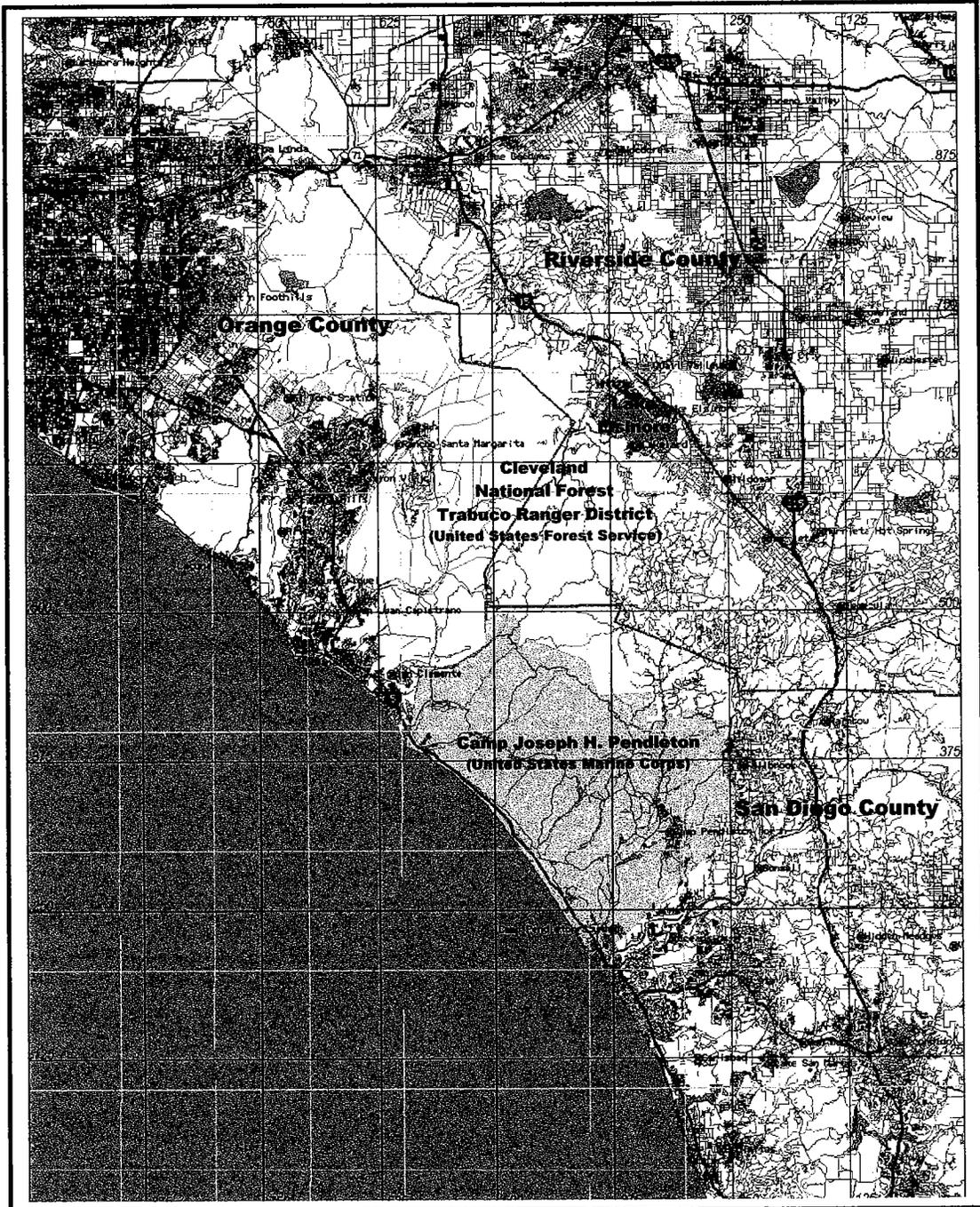
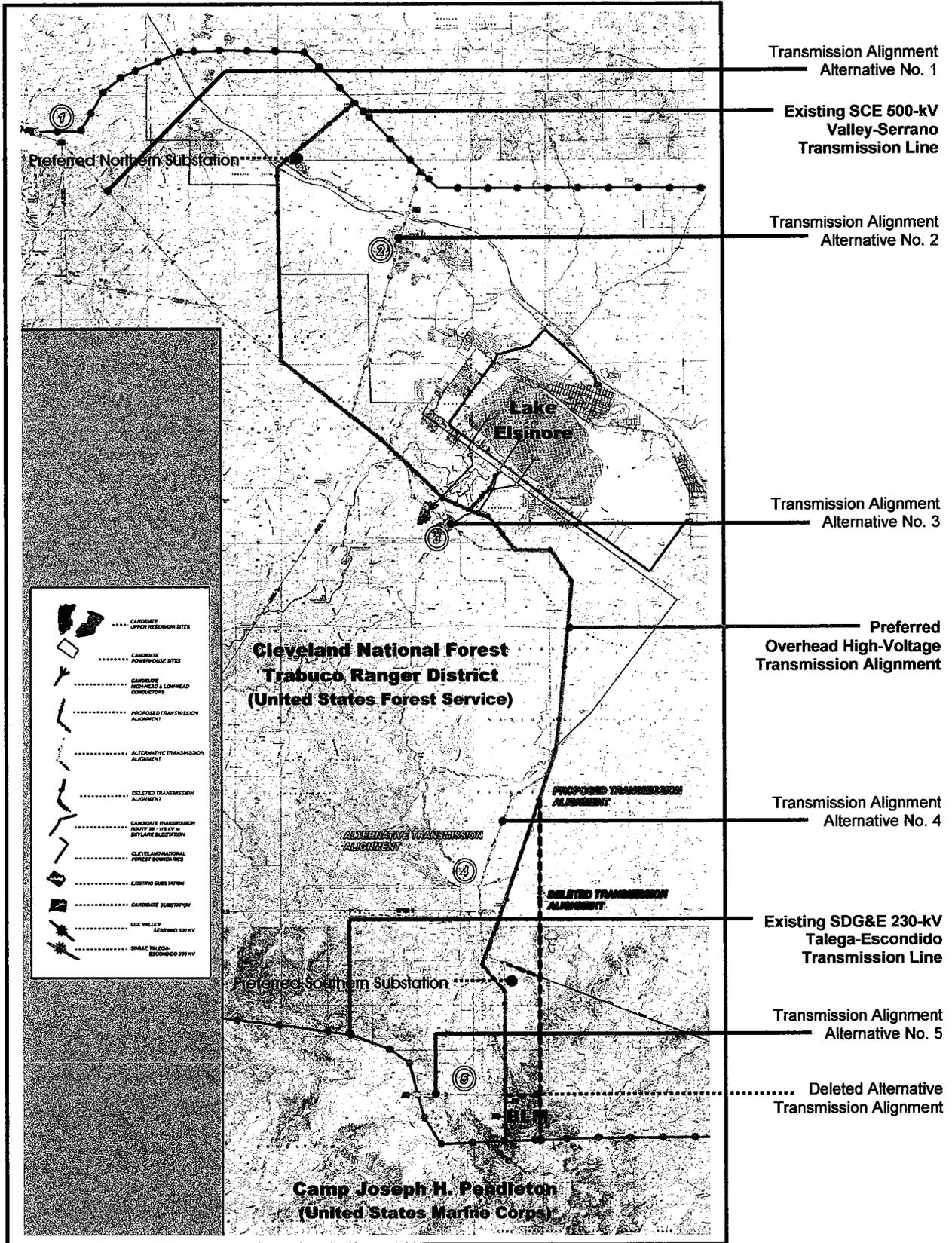
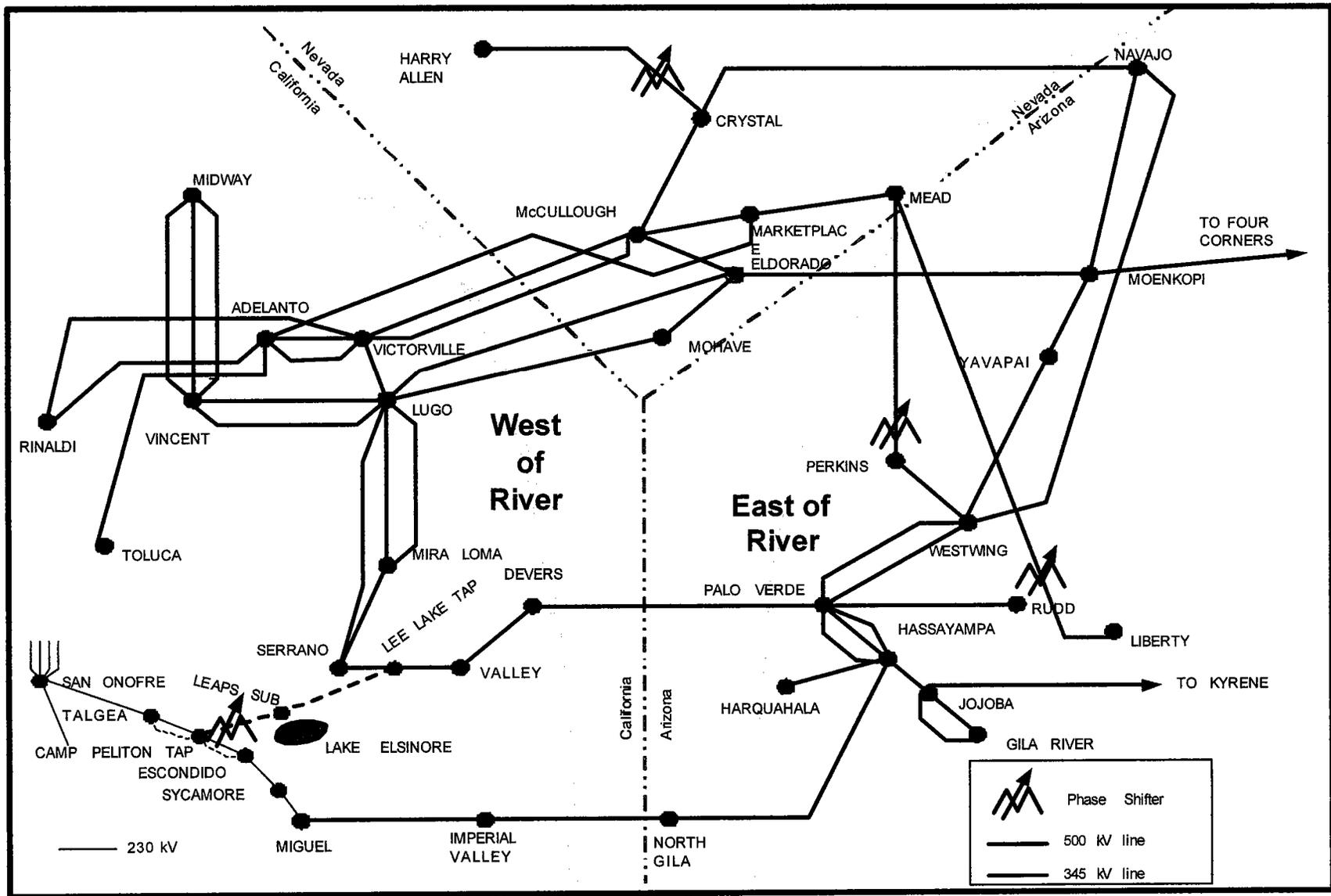


Exhibit 2

**LEAPS AND TE/VS INTERCONNECT TRANSMISSION ALIGNMENT MAP
FEDERAL ENERGY REGULATORY COMMISSION (FERC) PROJECT NO. 11858-002**

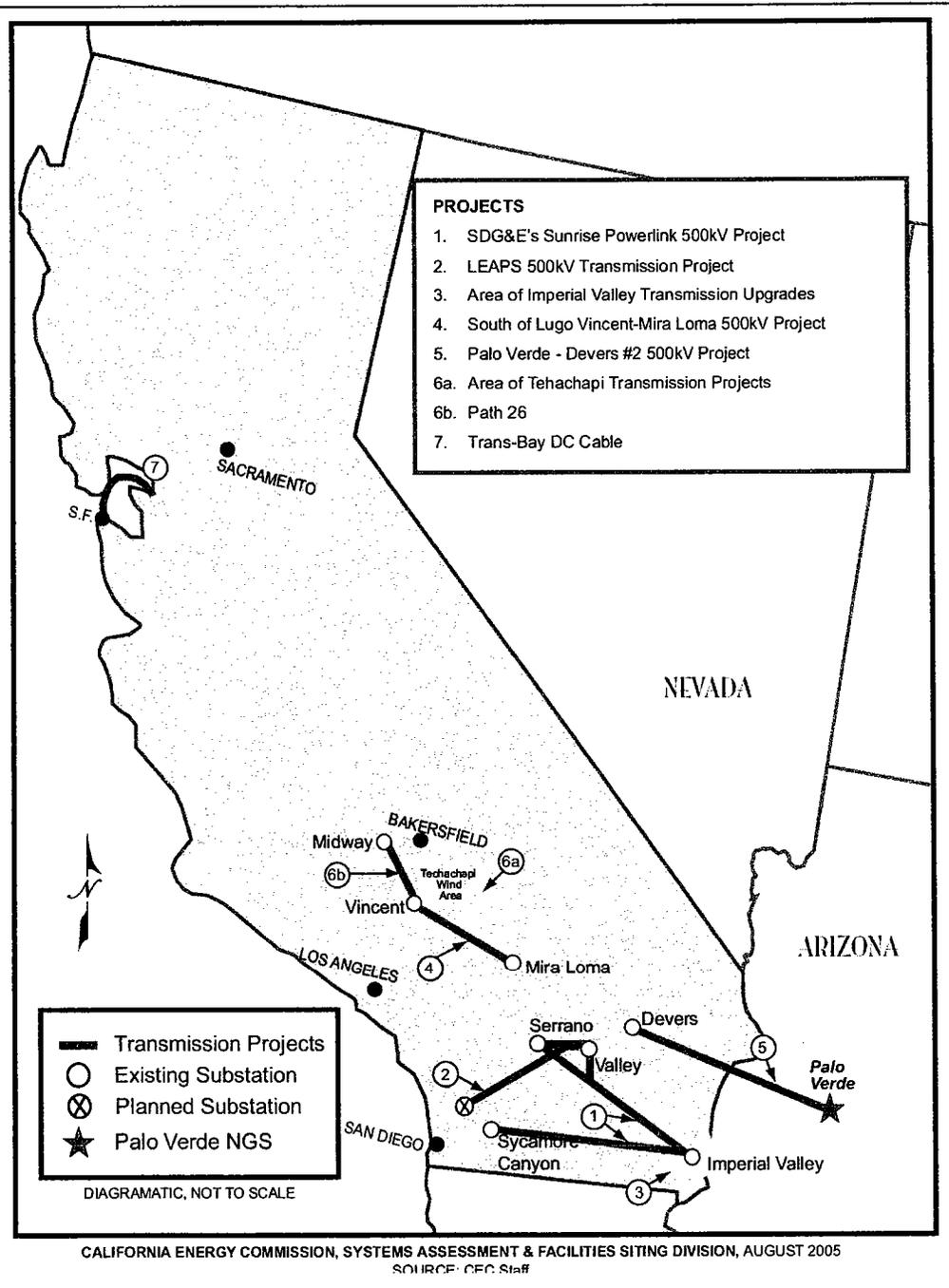


**Exhibit 3
CALIFORNIA INDEPENDENT SYSTEM OPERATOR
STEP SYSTEM MAP WITH LEAPS CONNECTIONS**

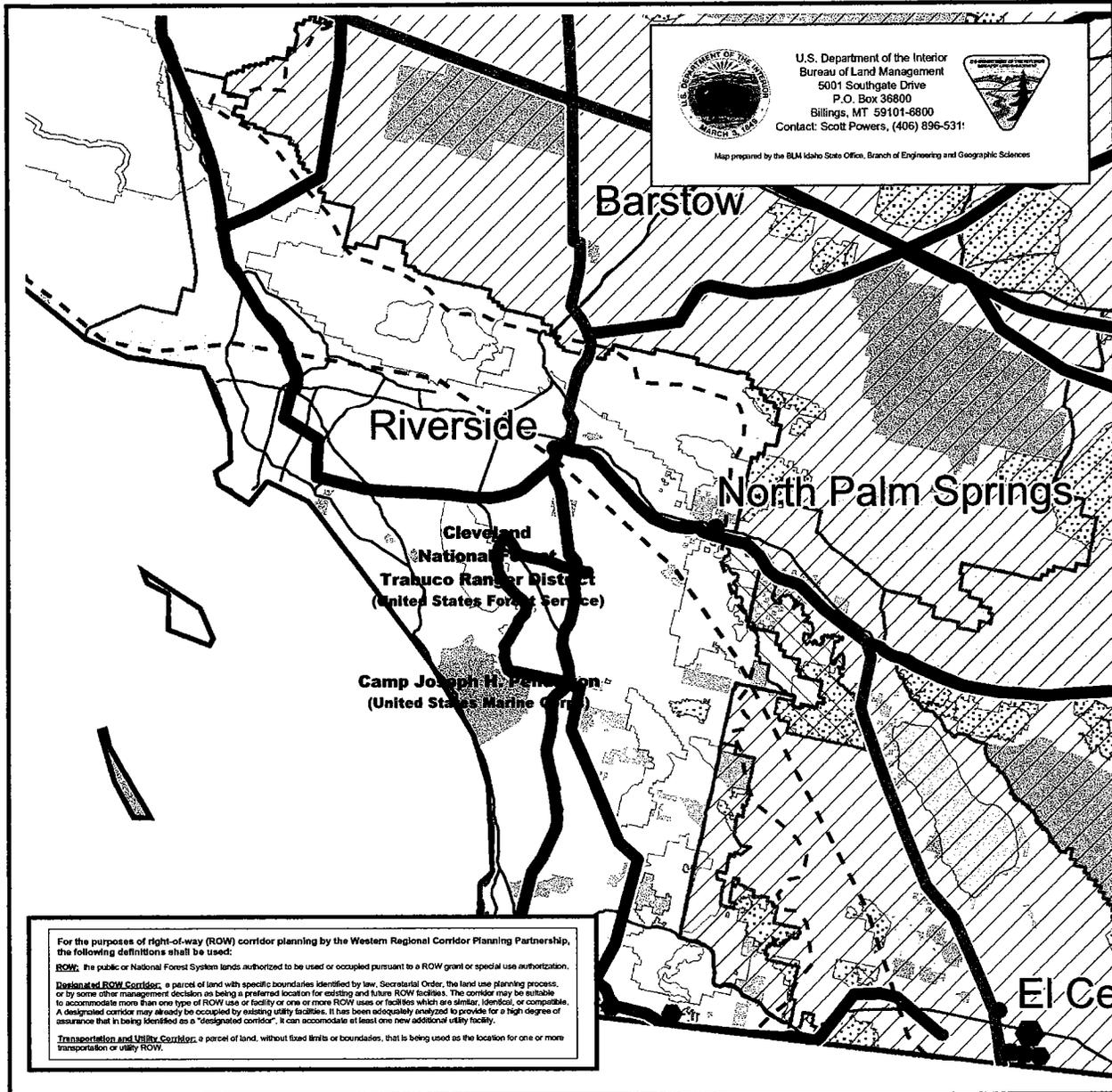


STEP SYSTEM MAP with LEAPS CONNECTIONS

Exhibit 4
**CALIFORNIA ENERGY COMMISSION
 STRATEGIC TRANSMISSION INVESTMENT PLAN MAP**



**Exhibit 5
WESTERN REGIONAL CORRIDOR PLANNING PARTNERSHIP MAP
SEGMENT DEPICTING THE CLEVELAND NATIONAL FOREST
JULY 10, 2003**



For the purposes of right-of-way (ROW) corridor planning by the Western Regional Corridor Planning Partnership, the following definitions shall be used:

ROW: the public or National Forest System lands authorized to be used or occupied pursuant to a ROW grant or special use authorization.

Designated ROW Corridor: a parcel of land with specific boundaries identified by law, Secretarial Order, the land use planning process, or by some other management decision as being a preferred location for existing and future ROW facilities. The corridor may be suitable to accommodate more than one type of ROW use or facility or one or more ROW uses or facilities which are similar, identical, or compatible. A designated corridor may already be occupied by existing utility facilities. It has been adequately analyzed to provide for a high degree of assurance that in being identified as a "designated corridor", it can accommodate at least one new additional utility facility.

Transportation and Utility Corridor: a parcel of land, without fixed limits or boundaries, that is being used as the location for one or more transportation or utility ROW.

LEGEND

- | | |
|---|--------------------------------|
| Utility Industry Corridor
Creation or Improvement Expected Within... | Land Status |
| — Priority 1: One to three years | Bureau of Land Management |
| — Priority 2: Three to five years | Forest Service |
| — Priority 3: Five to ten years | Bureau of Indian Affairs |
| U.S. Presidential Permits, Electricity (Estimated Locations) | Bureau of Reclamation |
| ● Transmission line greater than or equal to 69 KV | Department of Defense |
| ● Transmission line less than 69 KV | Fish and Wildlife Service |
| ● City with BLM Office | National Park Service |
| — Interstate Freeway | Other Federal |
| — National Wild or Scenic River | Non-Federal |
| — Historic Trail | Western United States Boundary |
| — Scenic Trail | BLM Plan Boundary |
| ▨ Wilderness Study Area | Forest Service Boundary |
| ▨ Designated Wilderness Area | Major Water Body |
| ▨ National Conservation Area | |
| ▨ National Monument | |

Line symbol width used for corridor features in map is not indicative of actual or planned corridor width on the ground. For visual purposes only.

*** The Western Regional Corridor Planning Partnership**

- includes the:**
- U.S. Bureau of Land Management
 - U.S. Forest Service
 - Western Utility Group
 - Western Governors' Association
 - U.S. Department of Energy

