

# Lake Elsinore Advanced Pumped Storage Project Application For Participating Transmission Owner Status

## 1. Description of the LEAPS Project

The Lake Elsinore Advance Pump Storage (**LEAPS**), and the Talega–Escondido/Valley–Serrano 500-kV Interconnect (**TE/VIS Interconnection**) Project, collectively the Project, are to be placed under the CAISO’s Operational Control.

The Project consists of 500 MW of extremely efficient pump storage generation and an approximately 30–mile, 500-kV transmission line connecting Southern California Edison’s (SCE) Valley-Serrano 500-kV line and San Diego Gas and Electric’s (SDG&E) Talega-Escondido 230-kV transmission systems. This Project is being permitted under Federal Energy Regulatory Commission (FERC) permitting regulations (FERC Project Number P–11858-002). LEAPS is an environmentally friendly project intended to provide capacity, ancillary services, and energy storage capability to allow the CAISO to manage the transmission system under its control more effectively and efficiently. The Project is also intended to produce energy during peak periods, when economical, as well as provide reliability to the Southern California transmission grid and loads connected thereto.

LEAPS complements existing generation by storing energy during low demand periods and releasing the stored energy during peak load periods. As such LEAPS is beneficial to generation sources such as wind, geothermal and other renewable and non-renewable energy sources that produce power during low value off-peak periods. The 500 MW of new generation has the advantage of being an air quality-friendly source of energy and an immediate source of both real and reactive power. LEAPS has the ability to provide real and reactive power to the California Independent System Operator (CALISO) dispatchers on an instantaneous or near-instantaneous basis in the event of a system disturbance. The Project’s transmission route has been carefully selected to minimize the impact on individual property owners, on public lands, and on the environment.

Pumped storage is the most efficient technology available for energy storage. The LEAPS Project has some intrinsic features that only an advanced pumped storage facility offers. The LEAPS Project will offer the following features to assist the CALISO in meeting its system reliability objectives: extremely fast response (0 - 500 MW / 15 sec) and high availability factor; system load following and regulation; spinning and non-spinning capacity; reactive support and voltage regulation capability; and black start capability. The Project also provides flow control between the SCE and SDG&E transmission systems.

The Project is located principally on and adjacent to Lake Elsinore and within the watershed of San Juan and San Mateo Creeks; is near the City of Lake Elsinore; and is located in both Riverside and San Diego Counties in Southern California. This Project would also occupy federal lands, including lands managed by the US Forest Service (Cleveland National Forest), the Bureau of Land Management , and the United States Department of Defense (Camp Joseph H. Pendleton).

The Project is funded by banks and private investors through both debt and equity with a planned 50/50 debt to equity ratio. Investors that may include The Nevada Hydro Company would own the Project. TNHC is currently in negotiation with several groups of investors. The Nevada Hydro Company will oversee the Project funding, development, and construction. After the commercial date, TNHC involvement in the Project would depend on the preference of the owner(s).

The Project interconnection and one-line diagrams information are provided in a separate attachment.

## **2. Description of The Nevada Hydro Company Transmission Entitlements**

The Nevada Hydro Company (TNHC) has no “Entitlements” to facilities that the TNHC does not own but intends to turn over to CAISO operational control.

## **3. Encumbrances**

There are no encumbrances as defined in the ISO tariff with respect to the Project as of this time and TNHC anticipates that there will be none as of the date the Project enters commercial service. However, if and when, we become aware of any THHC will promptly notify the CAISO and other parties.

## **4. Transmission lines and associated facilities to be placed under the CAISO control**

TNHC will turn over the operational control of the Project as described above to the CAISO as of the commercial operation date subject to TNHC’s right to receive the financial benefits associated therewith, in accordance with the CAISO tariff.

## **5. Reliability Criteria**

TNHC is not aware of any specific Local reliability Criteria to be included as part of the CAISO’s Applicable Reliability Criteria.

## **6. Maintenance**

TNHC, as the participating transmission Owner will contract with appropriate operating and maintenance companies (to be determined) and would oversee the operation and maintenance of the Project including administration of the operation and maintenance agreement with the chosen contractor, commencing as of commercial operation date for each portion of the Project. Project facilities will be maintained consistent with all applicable CAISO approved maintenance practices and standard. Project documents and contracts will require conformance with all applicable CAISO maintenance standards as set forth in the CAISO tariff and protocols, the Transmission Control Agreement (TCA), and all applicable WECC and NERC standards.

## **7. Temporary Waivers**

TNHC should not require any “temporary waivers” of Applicable Reliability Criteria since the TE/VIS-LEAPS project is designed to meet all Applicable Reliability Criteria.

## **8. Proposed Transmission Owner Tariff**

TNHC has filed with FERC its FPA Section 205 under the docket number ER06-278-000 in December of 2005 and is awaiting FERC’s decision. An accurate TO tariff cannot be developed until after the FERC decision is known. The FERC decision could have fundamental impact on the Project’s TO tariff, unless FERC approves the TNHC application as filed with no changes. As the Project is presently in the development stage, with construction anticipated to begin in first half of 2007 following completion of permitting and financing, the final costs of the Project and the proposed PTO Tariff for the Project will be filed at a later date. TNHC is committed to file its Transmission Revenue Requirement (“TRR”) and its proposed PTO tariff with the FERC no later than ninety days prior to the anticipated commercial operation date for the Project. The commercial operation date is currently expected to be in late 2008.

## **9. Transmission Revenue Requirement Data Form**

As discussed in the previous section TNHC has committed to file its TRR with the FERC no later than ninety days prior to the anticipated commercial operation date for the Project. The total cost of the Project is presently estimated to be \$1.1 billion. Although there is contingency in that cost estimate, there are number of costs that will be finalized over the upcoming months, including the costs of interconnecting with the Southern California Edison and San Diego Gas and Electric transmission systems.

## **10. Address and Contact Names**

Rexford J Wait  
Vice President  
2416 Cades Way  
Vista, CA 92081  
Tel. No. (760) 599-0086  
FAX No. (760) 599-1815  
Email: Rex Wait [rwait@controltechnology.org]

## **11. Settlement Account**

For Confidentiality reasons , TNHC will provide this information in a separate document.

## **12. MWh Demand Per Month**

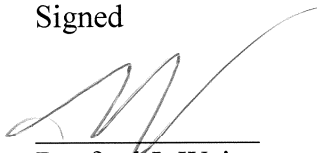
In as much as the TNHC has no retail load, its “MWh demand per month” for the 1 year test period is zero.

## **13. Instructions for Encumbrances and Entitlements**

Not Applicable

**This application is respectfully submitted on this 9<sup>th</sup> day of November, 2006.**

Signed



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Rexford J. Wait  
Vice President  
The Nevada Hydro Company Inc  
FERC P-11858-002/ER06-278  
C/O LEAPS Project for EVMWD