

Jay Scott  
22074 Country Hills Dr  
Wildomar, CA 92595  
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Magalie R. Salas, Secretary  
Federal Energy Regulatory Commission  
888First Street, N.E.  
Washington, DC 20426

Subject: Additional Comments on Recent Correspondences  
Concerning Lake Elsinore Advanced Pump Storage Project  
(LEAPS) FERC Project No. 11858-002

Dear Ms. Salas:

I recently became aware of a document titled SUPPLEMENTAL RESPONSE OF THE NEVADA HYDRO COMPANY, INC. dated September 11, 2006 that was prepared by The Nevada Hydro Company, Inc. This document relates to the LEAPS Project (FERC Project No. 11858-002) and it carries the Docket No. ER06-278-004. I am writing you this letter to pass along critical comments on the material contained in this document and its attachments.

My initial reaction when I first reviewed this document was that it is strange the that The Nevada Hydro Company, Inc. (Nevada Hydro) found it necessary to retain an attorney, Arnold B. Podgorsky, to prepare a Supplemental Response and to retain a technical consultant, Jaleh Firooz, to provide information to FERC about what another government agency, California Independent System Operator, Inc. (CAISO) position is on the LEAPS Project. Although Ms. Firooz's states that CAISO "supported the LEAPS project", I would encourage and, in fact, insist that FERC go directly to CAISO to find out just what their position on LEAPS is.

As a taxpayer and California ratepayer, I was horrified at the prospect proposed by Nevada Hydro that the LEAPS pumped hydro facility be “incorporated into the CAISO system” after its built by Nevada Hydro. While Nevada Hydro described three different variations of how the incorporation could proceed, they all have the same basic flaw. The flaw is that if CAISO actually desires to have such a pumped hydro facility incorporated into their system, it would be in the best interests of the taxpayers and ratepayers to use the conventional process of a government Request for Proposal (RFP) or Request for Bid (RFB). In effect, Nevada Hydro’s Supplemental Response would abrogate the time tested method of awarding a project to the lowest bidder. While Nevada Hydro would, no doubt, like to be the sole source for the LEAPS Project, there does not appear to be any urgency or other mitigating factors to justify such an extraordinary approach.

As a taxpayer and ratepayer, I would also strongly urge you not to grant any organization, investor, or group of investors a guaranteed annual rate of return for participating only in the construction phase of such an immense project, as Nevada Hydro has outlined. It is my strong conviction that there will likely be huge problems and costly disputes if the promoters and investors do not share a major financial risk in guaranteeing the satisfactory **long term** operation of the LEAPS pumped hydro facility.

Finally, I would strongly encourage you to decline payment to Nevada Hydro for any construction work in progress (CWIP), as they requested, since work that they may have performed up to the point before government approval at all levels (Local, State and Federal) rightly falls into the category of a bidding expense that should properly be a risk taken by Nevada Hydro, not the taxpayers and ratepayers. The inference by Nevada Hydro that the government’s

payment for CWIP “would reduce the construction costs by \$100 million, further benefiting ratepayers” is absurd!

I encourage you to take the above comments into consideration when reaching your decision on the LEAPS Project.

Respectfully Submitted,  
Jay Scott  
Intervenor in FERC Project 11858-002

cc CAISO Board of Governors

Service List