



THE HYDRO COMPANY, INC.

DBA THE NEVADA HYDRO COMPANY, INC.

March 17, 2014

Board of Governors
California Independent System Operator
250 Outcropping Way
Folsom, CA 95630

RE: Comments of The Nevada Hydro Company on the 2013–2014 Transmission Plan

Dear Board of Governors,

The Nevada Hydro Company (“Nevada Hydro”) was quite impressed with the level analysis that went into the creation of the 2013–2014 Transmission Plan (“Plan”). It is clear that with severe reliability issues facing southern California, the ISO needs resources now.

Nevada Hydro is the sponsor of two projects ideally situated to help the California Independent System Operator (“ISO”) and the State address the panoply of problems caused by the loss of the San Onofre Nuclear Generating Station (“SONGS”). Nevada Hydro has noted that its 500 MW **Lake Elsinore Advanced Pumped Storage (“LEAPS”)** facility (FERC Project Number P-14227) and the related **Talega-Escondido/Valley-Serrano 500-kV Interconnect (“TE/VS Interconnect”)** are located roughly ten to twenty miles from SONGS, and provide not just megawatts, but also the voltage support, other ancillary services and flexibility from within the load pocket. These projects operate without adding to greenhouse gas emissions and are economic to ratepayers, to boot.

Nevada Hydro has two requests of the Board, that:

1. That the ISO correctly classify TE/VS Interconnect as a Group 1 project in this plan cycle
2. The ISO not delay proper consideration of LEAPS as a preferred.

With regard to the TE/VS Interconnect, we have completed all of the routing, engineering and environmental work towards obtaining the required permit to construct. Our EPC contractor has provided a detailed cost estimate to construct the project. FERC and the US Forest Service have issued a final Environmental Impact Statement (“EIS”) (which is now being updated). FERC has granted incentive rates to the project after Nevada Hydro demonstrated with independent evidence that the project provides benefits to ratepayers. As the TE/VS Interconnect is necessary to connect LEAPS to the ISO grid, Nevada Hydro urges this Board to move the TE/VS Interconnect from a Group 2 to a Group 1 project. This will solve the reliability problem and reduce the cost per MW of the Group 1 projects (as shown in the Draft Plan) by 30%! A summary of these costs appear in the following table:

Group 1 Cost per MW with TE/VS Interconnect

Project	Cost (\$)	MW	Cost/MW
San Luis Rey ¹	\$80,000,000	150	\$533,333
Imperial Valley ²	\$240,000,000	400	\$600,000
Mesa Loop-in ³	\$625,000,000	470	\$1,329,787
Sub total w/o TE/VS	\$945,000,000	1,020	\$926,471
TE/VS Interconnect	\$750,000,000	1,500	\$500,000
Total	\$1,695,000,000	2,520	\$672,619
¹ / Average of range of local resource reduction benefit			
² / Phase shifter estimate used			
³ / Average of range of cost and local resource reduction benefit			

Nevada Hydro’s second request to this Board involves the LEAPS project. While LEAPS should have been considered as a Preferred Resource in the LA Basin and was not, it clearly will be instrumental in solving for SONGS. Thus, the timing for commencing construction is critical. After nearly 1–1/2 years of FERC–ordered settlement talks, Nevada Hydro recently finalized its interconnect agreements with SCE, SDG&E and of course with the ISO. A key element of these discussions focused on the timing of milestones for posting of security commencing in April of next year.

The transmission planning staff, however, concluded that with regard to LEAPS, “it is not necessary or reasonable to seek approval of these more expensive alternatives, especially on timelines that are extremely aggressive and potentially unlikely to be met given the need for reliability and the higher than usual degree of uncertainty with many of the inputs into this analysis.” (At page 105). If Nevada Hydro understands this logic, while the transmission planning staff sees the LEAPS timeline as “extremely aggressive”, we developed this timeline with the ISO and the area utilities and converted it to firm milestones in the recently signed interconnection agreements. The ISO cannot at the same time agree with this timeline through the interconnection process and use it as reason to delay the project in this Transmission Plan.

Further, the planning staff cannot conclude whether or not LEAPS may be “more expensive” until it has analyzed the benefits the facility provides, and it has not. Staff also claims that the project brings some “higher than usual degree of uncertainty with many of the inputs into this analysis.” As LEAPS is fully designed and has a final EIS from FERC, the only “uncertainty” it faces is when the planning staff will properly assess its capabilities.

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As both the LEAPS and TE/VS Interconnect are critical facilities for addressing the reliability crisis due to the loss of SONGS, Nevada Hydro urges this Board to accelerate its consideration of both projects before a crisis forces ill-considered "solutions" on to the ISO and ratepayers.

Nevada Hydro appreciates the Board's consideration.

Sincerely,

/s/ Rexford Wait

Rexford Wait
Vice President