EXECUTIVE SUMMARY

On February 2, 2004, the Elsinore Valley Municipal Water District (Elsinore Valley MWD) and the Nevada Hydro Company, Inc. (Nevada Hydro), or co-applicants, filed an application for an original license with the Federal Energy Regulatory Commission (Commission or FERC) for constructing and operating the 500-megawatt Lake Elsinore Advanced Pumped Storage Project (LEAPS Project). The project would occupy 2,412 acres of federal lands, including lands managed by the U.S. Department of Agriculture, Forest Service (USFS), Cleveland National Forest, U.S. Bureau of Land Management, and the Department of Defense (Camp Pendleton). The USFS is reviewing an application for special use permit for constructing the Talega-Escondido/Valley-Serrano 500-kilovolt transmission interconnection, including transmission lines associated with the LEAPS Project, as a transmission line only project. The USFS is a cooperating agency in preparing this environmental impact statement (EIS) for the LEAPS Project (FERC No. 11858), including both the pumped-storage facilities and the transmission lines.

This draft EIS evaluates the potential natural resource benefits, environmental effects, and economic costs associated with granting a FERC license for the entire LEAPS Project and granting a USFS special use permit for the transmission lines associated with the project. The alternatives examined include the following: (1) no action (likely construction of a simple-cycle combustion turbine and denial of the special use permit); (2) the co-applicants' proposed action; and (3) a staff alternative.

The co-applicants' proposed action consists of an upper reservoir in Morrell Canyon, a powerhouse at the Santa Rosa location, and a transmission line that crosses the Cleveland National Forest and is described in detail in section 2.3. The co-applicants propose numerous measures to address the potential effects of the proposed LEAPS Project on environmental resources in the project area. We describe these proposed measures in detail in section 2.3.6. The co-applicants' proposed action would disrupt flows in the San Juan Creek drainage, displace Lion Spring, remove about 20 acres of wetlands and riparian forest, re-route Morgan Trail, interfere with fire suppression activities, and curtail the use of hang gliding launching sites in Cleveland National Forest and the informal landing site at Ortega Oaks.

The staff alternative consists of an upper reservoir at the Decker Canyon site, a powerhouse at the Ortega Oaks site, and a mid-slope transmission alignment and is described in detail in section 2.4.3. The staff alternative includes most of the co-applicants' protection, mitigation, and environmental measures, except for those measures associated with the Santa Rosa powerhouse and Morrell Canyon upper reservoir sites, and the installation of fish screens. We have modified several of the co-applicant-proposed measures and added others. The staff alternative would avoid effects on Morrell Canyon, Lion Spring, and Morgan Trail, and would reduce the amount of loss of wetlands and riparian forest. The staff alternative mid-slope transmission alignment, which runs west of the most popular hang gliding launch sites in Cleveland National

Forest, may reduce some of the effects of proposed project on hang gliding activities and would avoid conflicts with fire suppression activities. The Commission staff does not recommend a preferred alternative in this draft EIS. The staff alternative may address many of the concerns people have raised during this licensing proceeding. However, we seek the benefit of public comment on the alternatives presented in the draft EIS before recommending one.

We estimate that the cost of building and operating either the co-applicants' proposal or the staff alternative would exceed their economic benefits during their first year of operation: the proposed LEAPS Project is estimated to cost $133,914,400 ($85.84/MWh) more annually than alternative power and the staff alternative is estimated to cost $138,333,400 ($88.86/MWh) more than alternative power annually. Although there are several reasons for this result, the main one is that our estimated cost to construct the project is much higher than the co-applicants'. Because of the limited subsurface data available, we have significantly increased the co-applicants' cost estimate in several areas because we do not think the co-applicants' cost estimate properly accounts for the site-specific geological and groundwater conditions. During the final design process, the co-applicants' propose to conduct more detailed geotechnical studies. If the site information the co-applicants gather shows the site conditions are better than what we assumed, they may be able to build the project for less than the cost we estimate.