



REPORT TO CITY COUNCIL

To: Honorable Mayor and Members of the City Council

From: Grant Taylor, Director of Community Development

Date: December 12, 2017

Subject: LEAPS Update; Amendment to Government Relations and Legislative Advocacy Agreement

Recommendation

1. Receive and file update report on the Lake Elsinore Advanced Pump Storage (LEAPS) Project; and
2. Authorize the City Manager to execute Amendment No. 1 to extend the City's Professional Services Agreement for Government Relations and Legislative Advocacy Services with David Turch and Associates in such final form as approved by the City Attorney.

Background

The Lake Elsinore Advance Pump Storage project, or "LEAPS," was first proposed in 2004. Advance pump storage (APS) projects are not new; there are 24 APS projects in the United States although many were built over 30 years ago. At their core, an APS project consists of an upper reservoir and lower reservoir with a set of tunnels running between. When electrical energy is plentiful (and less expensive), pumps take water from the lower reservoirs to the upper (typically about 1,500 feet higher in elevation). When electrical energy is in demand, the water in the upper reservoir is released through tunnels flowing down to turbines at the powerhouse. The upper reservoir becomes, in effect, a source of stored energy. The project provides system reliability (in case other generating facilities go off-line) and allows electrical system operators to "store" peak generation from green energy sources (notably wind and solar) that do not necessarily align with peak energy use.

LEAPS is designed to generate approximately 500 megawatts (MW) of electricity typically lasting 12 hours. By way of comparison, the former San Onofre nuclear facility could produce approximately 2,150 MW.

For LEAPS, the Lake would serve as the "lower reservoir" and the upper reservoir would be constructed in the Cleveland National Forest at Decker Canyon (just south of State Route 74). The pump/powerhouse facility would be located near the Lake on the west side of Grand Avenue in the Lakeland Village area (and is typically referred to as the Santa Rosa Powerhouse). To both power the pumps and deliver the generated electricity onto the state's electrical grid, LEAPS also involves the construction of approximately 32 miles of 500 kV transmission lines and towers. The project applicant, Nevada Hydro, has proposed a grid

interconnect in the vicinity of Lee Lake to the north. The transmission lines will travel south largely within the Cleveland National Forest and connect to the powerhouse. The powerhouse will also be connected by 500 kV lines and towers traveling further south primarily through the National Forest to an interconnect point adjacent to Camp Pendleton. The 500 kV lines in the general vicinity of the powerhouse will be undergrounded.

Discussion

Status of Licensing Process

Nevada Hydro is seeking a permit to operate LEAPS from the Federal Energy Regulatory Commission (FERC). FERC invited interested parties to submit requests for additional studies in advance of the issuance of an environmental impact statement for the project (which will be subject to full public review and comment when it is released – probably next year).

The City of Lake Elsinore (and several other local, state and federal agencies) have requested additional studies. The City's letter requesting these studies is attached in Exhibit C. Also notable, more than 200 individuals have either commented on the project or requested additional studies. The request for additional studies largely involved the impact of LEAPS on the Lake's water quality, aquatic and terrestrial wildlife, geotechnical hurdles, fire safety, recreation, cultural resources, traffic, and property values.

Compounding the long list of "unknowns" necessitating additional studies, the prior application for the LEAPS (abandoned in 2010) proposed a distinctly limited and somewhat dated approach to community benefits. For instance, recreational benefits included minor commitments to conduct "tours" of the powerhouse and to build a "botanical garden." To be fair, Nevada Hydro has indicated openness to other recreational proposals although nothing firm has materialized.

Amendment to Government Relations and Legislative Advocacy Agreement

While the City will participate in the formal FERC licensing process, concerns remain about coordinating the efforts of federal agencies which we believe have a shared interest in improving the Lake and ensuring that federal agencies fully understand the City's position and concerns.

To that end, the City currently uses contract services for advice, counsel and ongoing representation of its affairs with the Legislative and Executive Branches of the Federal Government. The City entered into an agreement with David Turch and Associates (DTA) to provide these services on April 1, 2016 for an amount of \$3,500 per month.

The proposed Amendment No. 1 extends these services by one year at the same cost and alters the City's scope of services to protect and advance the interests of the City of Lake Elsinore and its citizens regarding the proposed LEAPS project. The proposed approach and scope of services is attached in Exhibit B. It includes engaging the congressional delegation and federal agencies to raise awareness about the project and its potential impacts to our community. DTA will regularly monitor this project as it makes its way through federal approval process and ensure the City's best interests are protected.

DTA did present and discuss this proposal to the Energy Subcommittee. The Subcommittee agreed with the proposed approach.

To date, the City Manager's Office has been satisfied with David Turch and Associate's performance and services and recommends the City Council approve this amendment.

Fiscal Impact

The fiscal impacts of LEAPS are unknown at this time. The project has potential for significant impacts to the City of Lake Elsinore and surrounding communities.

The proposed cost for Amendment No.1 for Government Relations and Legislative Advocacy Services for the remainder of this fiscal year is \$24,500 and is included in the Fiscal Year 2017/2018 Operating Budget.

Exhibits

- A – Amendment No. 1.
- B – Proposal
- C – Letter Requesting Additional Studies