

LEAPS and TE/VS Interconnect Financial Reports

- The District recently released three reports
- January 2006 Van Vactor, February 2006 Van Vactor & April 2007 Shir Power
- While the first two report used multiple sources for data the Shir report referenced a specific CAISO report and it's 2015 calculations
- CAISO was contacted to review the report refered to in the Shir report and find out why it referenced 2015 when the project was previously stated as starting in 2010
- Daune Kirrene, Sr. Contracts Negotiator for CAISO stated that, "The presentation you referred to in your request below was never delivered because it was never finalized and neither were the studies it purports to summarize"
- This means the Districts report was based on an incomplete document that summarized incomplete studies and was never accepted by the organization that created it
- In reviewing the report it showed that the first five years the project would perform at a loss, that was why 2015 was referenced

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- The January 2006 Van Vactor report, the February 2006 Van Vactor Report and Nevada Hydro all agree that the Pumped Storage Project needs to receive rate basing because it can not support itself as a Merchant Power Plant
- Nevada Hydro Proposed Rate basing the entire project to FERC
- FERC requested an opinion on Rate Basing the project from CAISO
- CAISO contacted all of their Stakeholders (SCE, SDG&E, DWP..)
- Every one of CAISO's Stakeholders were against rate basing the Pumped Storage Project
- CAISO stated they could possibly consider the Lines Only for Rate basing though
- FERC recently defined the project as two projects. A Pumped Storage project and a Lines Only project
- FERC stated the Lines Only project could proceed prior to the Pumped Storage project
- FERC denied Rate Basing for the Pumped Storage project
- FERC agreed to allow Rate Basing for the Lines Only project

What is a Merchant Plant and Why Can't the Pumped Storage Project Support Itself?

A Merchant Plant is a Wholesale Electricity Generator, that sells to the grid

	Potential in MW	Cost for Construction	Multiplier	Total Cost	MW	Quick Peaking MW
Hydro-Electric	333	\$1B	1	\$1B	333	500
Vanadium Battery	10	\$10M	33	\$330M	333	500
Natural Gas	170	\$60M	2.95	\$177M	500	500

Which Power Source is More Cost Effective?

	Black Start	% Efficiency	Annual Cost to Operate	Cost By Efficiency Loss	10 Year Total Operation Cost
Hydro-Electric	< 5 Minutes	80	\$5.6M	\$9.3M	\$149M
Vanadium Battery	< 15 ms	75	\$2.6M	\$11.63M	\$142M
Natural Gas Peaker Plant	15 minutes	100	0	0	0

My Personal Preferred Option

- **70 MW Vanadium Collection Cell - \$70M**
 - Provides 100 MW Quick Peaking capability

- **400 MW Natural Gas Peaker Plant - \$142M**

- **Total Cost for Plant - \$212M**
 - Or less then 1/4 the cost of the LEAPS Project

Question:

Why do all of the organizations involved keep studying the environmental impacts of the Pumped Storage Project, If it has been denied Rate Basing and it's not cost effective as a Merchant Plant?

Answer:

The Licensing requested for the Pumped Storage Project is for the entire project. Even though FERC has granted Rate Basing for the Lines, the License for the entire project must first be issued. If Nevada Hydro states they are using the FERC License for a Lines Only project, FERC would have to deny the License.

Why should the District back away from the LEAPS Project?

- If the lines go in they are mostly outside of our District and our jurisdiction
 - It's bad conservation and environmental stewardship to run the lines through the national forest
 - The District needs to start rebuilding trust with the community
 - Spending additional funds in the promotion of a Lines Only project is not in the Districts best interest
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Can the District Back Away from the Project

- Can the District withdraw their license requests without entering into a major lawsuit?
 - I would like to request that our Legal staff investigate the ramifications of withdrawing our requests for licensing. Define whether or not we are in a defensible position to do so and what the likely costs of doing so would be
 - I would prefer that report be delivered in open session if possible
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