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February 14, 2007

The Hon. Magalie R. Salas, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

RE: Lake Elsinore Advanced Pump Storage (LEAPS) Project - No. P-11858-002

Dear Ms. Salas:

San Diego Gas & Electric Company (SDG&E) hereby submits comments on the Commission's Final Environmental Impact Statement (FEIS) analyzing the proposed LEAPS project. In general, SDG&E would like to (1) correct the record with respect to statements erroneously attributed to SDG&E and (2) identify issues that warrant further consideration by the Commission.

Corrections to the Record

Contrary to the statement in Section 1.4, SDG&E did not state that its recommendation was to license the TE/VS transmission line as soon as possible. (B-7) Further, SDG&E never proposed to use the TE/VS transmission line as an alternative to the CPUC-denied Valley-Rainbow transmission line. (Sections 1.4 and 2.1 at B-13) The only submissions by SDG&E are as follows: (1) Intervention filed on March 31, 2005; (2) Scoping comments submitted on October 11, 2004; and (3) Agency Consultation comments on April 29, 2005. Nowhere in any of these filings are the statements made on pages B-7 and B-13 of the FEIS. We ask that the Commission reflect this correction in any decision on the above application.

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Environmental, Engineering and Economic Concerns

Comment 277: In response to an SDG&E comment concerning the Draft EIS's assumption that the TE/VS-LEAPS project will increase G-1/N-1 import capability into the San Diego area by 1000 MW, it is stated that "the final EIS now uses a value of 750 MW." However, in various locations, the FEIS cites up to 1000 MW import capability.

There is still no specific southern substation location in SDG&E's service territory depicted on Appendix F. As stated in SDG&E's comments on the DEIS, a more specific location map with an aerial photograph base at a useful scale should have been included in the FEIS. This is important for SDG&E to ensure that the location, site characteristics and environmental conditions are feasible from engineering and cost perspectives. Also, environmental and permitting issues could be addressed in a timely and cost-effective manner. The Final EIS simply references a new SDG&E substation "within or adjacent to Camp Pendleton." (p. 2-6) It does not reveal that the Department of Defense has the discretion to approve (or not) a new substation on Camp Pendleton and must comply with the National Environmental Policy Act (NEPA) in that decision.

FERC maintains that co-applicants have substantially understated costs associated with site-specific geological and groundwater conditions. As a result, the cost of building and operating the LEAPS Project would exceed the economic benefits anticipated in the first year of operation. (p. xxiii)

Licensing Concerns

FERC reiterates that construction will take approximately 4.5 years (p. 2-7), but does not emphasize that construction cannot commence until co-applicants obtain all necessary federal, state and local permits. Indeed, the FEIS acknowledges that the Commission cannot license the TE/VS 500 kV transmission project under Part I of the Federal Power Act, as the Commission's jurisdiction is limited to the transmission interconnection of the hydro project to "the point of junction" with the network, and that the TE/VS 500 kV line must be "separately licensed" or "separately permitted" from a

Part I hydro license. (See FEIS, Appendix B, § 1.2 and § 1.3.3 at p. B-7.) The FEIS further obliquely acknowledges that such separate license may be an approval from the California Public Utilities Commission (CPUC). (See, *id.*, § 3.3 at p. B-21.) Neither co-applicant has applied for any CPUC approval. The determination in the FEIS that the Commission lacks jurisdiction to license the TE/VS portion of the TE/VS-LEAPS project leaves unanswered the important question of who does possess such authority, and whether the appropriate agencies have conducted the environmental review. SDG&E believes the CPUC does have licensing authority for the TE/VS portion of the TE/VS-LEAPS project and that the Commission should be direct on this point. Further, in as much as the Commission appears to be disclaiming authority for licensing the TE/VS portion of the TE/VS-LEAPS project, it should provide some indication of which entity has this authority. At a minimum it should be evident that there are significant gaps in the licensing progress of the TE/VS-LEAPS project.

Comments submitted in this matter by co-applicant Elsinore Valley Municipal Water District (“EVMWD”) and others suggest that the EVMWD is disqualified as a matter of the state law governing water districts from participating in the TE/VS portion of the project. The Commission’s decision on the application should address these facts relating to the regulatory viability of the TE/VS portion of the project, especially given that co-applicant The Nevada Hydro Company’s assertions in other forums that the Commission may license the TE/VS 500 kV project separately from the pumped storage project.

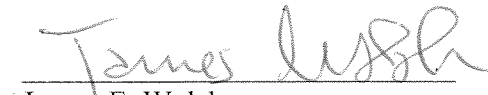
Finally, SDG&E raises the threshold question of why the Commission would select the staff alternative as the Commission’s preferred alternative when the staff alternative is estimated to cost \$124,841,500 per year more than the “No Action” alternative. (Table 52 on p. 4-26.) Unless the Commission believes that there are non-quantified benefits that offset this increased cost, the FERC staff’s analysis strongly suggests California consumers would be much better off were the no action alternative selected instead of the TE/VS-LEAPS project.¹

¹ The “no action” alternative includes the construction of 500 MW of new gas turbine capacity.

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SDG&E appreciates the Commission's consideration of its comments on the FEIS
in its decision on the LEAPS project.

Respectfully submitted,

A handwritten signature in cursive script that reads "James F. Walsh". The signature is written in black ink and is positioned above a horizontal line.


James F. Walsh

Attorney for San Diego Gas & Electric Company

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to Rule 2010 of the Commission's Regulations, 18 C.F.R. § 385.2010, I have this day served the foregoing **LAKE ELSINORE ADVANCED PUMP STORAGE (LEAPS) PROJECT** upon each person designated on the official service list compiled by the Secretary in Docket No. P-11858-002.

Dated at San Diego, California, this 14th day of February, 2007.

Name: 
Deanna M. Porter