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October 5, 2010

Paul Murphey
Division of Water Rights
State Water Resources Control Board
Post Office Box 2000
Sacramento, California 95812

Re: Comments on the Eagle Mountain Pumped Storage Project Draft Environmental Impact Report,
SCH # 2009011010

Dear Mr. Murphey:

Eagle Crest Energy Company (ECE) wishes to express our appreciation for the efforts of the State Water Resources Control Board (SWRCB, or Board) to process ECE's application for Water Quality Certification for the Eagle Mountain Pumped Storage Project. Completion of the Draft Environmental Impact Report (DEIR) is an important milestone in the application process. We have reviewed the DEIR and have a few comments and updates for your consideration.

It is ECE's intention to develop the Eagle Mountain Pumped Storage Project with minimal impact to the local environment. ECE concurs with the Board's proposed mitigation measures for the Project as described in the Draft EIR, and commits to implementing these measures at the appropriate time during final engineering, project development, construction and operation.

As the DEIR describes, there are a number of other projects being proposed in the nearby area in the Chuckwalla Valley. These projects include the proposed Eagle Mountain Landfill Project, and several commercial scale solar energy projects. We want to reiterate our commitment to cooperating with other local and regional projects to minimize conflicts with one another. For example, we have actively coordinated with solar project developers over the past year regarding transmission alignments and potential conflicts with access roads. As a part of developing our applications to the SWRCB and FERC, we have made adjustments to our Project Description and site layout to avoid potential conflicts with the neighboring landfill project. We will continue to work with all the project developers to resolve potential conflicts and easement / access issues.

The DEIR describes the proposed Eagle Mountain Pumped Storage Project as interconnecting to the transmission grid at a substation north of the I-10 and west of the community of Desert Center. The proposed interconnection transmission line would parallel the Eagle Mountain Road, from the Central Project Area to near the I-10, before going southeast to interconnect to the proposed substation site. The DEIR also describes two alternative substation locations (the

eastern and western Red Bluff Substation sites) and three alternative interconnection routes to interconnect to these substations. The eastern Red Bluff substation is identified as the environmentally preferred alternative, with the interconnect route that parallels an existing SCE transmission line as being the environmentally preferred interconnection route. ECE concurs with the SWRCB regarding the environmentally preferred alternative described in the DEIR. We would like to confirm our commitment to develop the project's interconnection along the environmentally preferred alternative route, and to the environmentally preferred eastern substation site.

The final decision on the substation location will be made by the Bureau of Land Management (BLM), Southern California Edison, and the California Independent System Operator (CAISO). While no Record of Decision (ROD) on the substation location has been released to date, the BLM has concluded in their environmental documentation on the Desert Sunlight Solar Project that the eastern Red Bluff Substation site is their preferred substation site.¹

The DEIR accurately describes nine goals and objectives for the Eagle Mountain Pumped Storage Project:

- Support California's long term energy policy;
- Provide energy generation to meet part of California's peak power requirements;
- Provide energy storage for integration of renewable energy generation;
- Provide ancillary services for management of the transmission grid;
- Provide for flexible transmission grid operations;
- Reduce greenhouse gas emissions;
- Re-use an existing industrial site;
- Locate energy generation close to the transmission grid; and
- Generate hydropower without causing significant impacts to surface waters and aquatic ecosystems.

There is growing recognition in the State of the need for energy storage in general, and hydropower pumped storage specifically. As evidence of that, the California legislature recently passed AB 2514, which has been signed by the Governor. This law requires the California Public Utility Commission and the boards of publicly owned utilities to determine appropriate levels of energy storage in jurisdictional utility portfolios and establish 2015/2016 and 2020/2021 storage procurement targets. The law states:

“The Legislature finds and declares all of the following: (a) Greatly expanded energy storage systems are necessary to enable electrical corporations and local publicly owned electric utilities to integrate increased amounts of renewable energy resources into the electrical transmission and distribution grid in a manner that minimizes emissions of greenhouse gases and reduces costs to ratepayers. (b) Additional energy storage systems are necessary to make full and efficient use of the significant additional amounts of variable, intermittent, and off peak electrical generation from wind and solar energy that will be entering the California power mix on an accelerated basis (c) Expanded use of energy storage systems can reduce costs to ratepayers by avoiding or deferring the need for new fossil-fuel powered peaking power plants and avoiding or deferring distribution and transmission system upgrades and expansion of the grid. (d) expanded use of energy storage systems will

¹ The Draft Environmental Impact Statement (DEIS) on the proposed Desert Sunlight Solar Project is available at http://www.blm.gov/ca/st/en/fo/palmsprings/Solar_Projects/Desert_Sunlight.html.

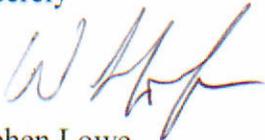
reduce the use of electricity generated from fossil-fuels to meet peak-load requirements on days with high electricity demand and can avoid or reduce the use of electricity that was generated by high carbon-emitting electrical-generating facilities during those high electricity demand periods. This will have substantial co-benefits from reduced emissions of criteria pollutants. (e) Use of energy storage systems to provide the ancillary services otherwise provided by fossil-fueled generating facilities will reduce emissions of carbon dioxide and criteria pollutants. (f) There are significant barriers to obtaining the benefits of energy storage systems including inadequate evaluation of the use of energy storage to integrate renewable energy resources into the transmission and distribution grid through long-term electricity resource planning, lack of recognition of technological and marketplace advancements, and inadequate statutory and regulatory support.”

The growing need for energy storage is being recognized at the national level as well. At his September 22, 2010 address to the Montana Economic Development Summit, U.S. Department of Energy Secretary Steven Chu remarked on the important role of energy storage, including pumped storage hydropower, in development of renewable energy. In addition, in March 2010, the Department of Energy, Department of Interior, and Department of the Army signed a Memorandum of Understanding for Hydropower. Included in this MOU is a goal to emphasize the critical role that hydropower can play in working to integrate other renewable energy technologies into the U.S. electric grid. The MOU includes an initiative to conduct a technical, economic, and environmental feasibility analysis of environmentally sustainable potential pumped storage sites that could be developed at existing Army Corps of Engineers and Bureau of Reclamation facilities.

ECE continues to believe that the Eagle Mountain Pumped Storage Project is among the premier potential pumped storage sites in the nation, and that its development has significant and important benefits of the people of California.

Thank you again, and please do not hesitate to contact our Project Director, Dr. Jeff Harvey, at (916) 799-6065, or me if you have any questions or need additional information.

Sincerely



Stephen Lowe
President

Cc: Kimberly D. Bose, Secretary, Federal Energy Regulatory Commission