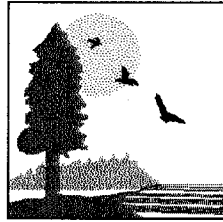


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**CALIFORNIA STATE LANDS COMMISSION**

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Sacramento, CA 95825-8202



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November 10, 2010

File Ref: SCH # 2009011010  
W40871

Paul Murphey, Senior Environmental Consultant  
State Water Resources Control Board  
1001 I Street, 14<sup>th</sup> Floor  
Sacramento, CA 95814

**Subject: Eagle Mountain Pumped Storage Project**

Dear Mr. Murphey,

On August 10, 2010, the California State Lands Commission (CSLC) staff received an electronic version of the Draft Environmental Impact Report (DEIR) for the Eagle Mountain pumped storage project. Upon review of the DEIR, we have the following comments.

We understand that the project would use two reservoirs at different elevations in the now idled open pits of the former Kaiser Eagle Mountain Iron Mine to generate up to 1300 megawatts per day of electrical capacity with four reversible pump-turbine units. On April 8, 2008, Greg Pelka of the CSLC provided verbal comments pertaining to our agency at a meeting held at the University of California, Riverside-Palm Desert Graduate Center, and shared CSLC responsibilities and the State's areas of interest.

The CSLC manages both sovereign (tide and submerged) and State school lands, generally Sections 16 and 36 of each Township and Range. The State school lands were granted by the federal government in 1853 for the economic support of the State school system. Today, the CSLC manages these lands under a fiduciary agency for the economic benefit of the State Teachers' Retirement System (STRS).

CSLC has two interests within the project area. The first is a 466.66-acre 100 percent Reserved Mineral Interest (see attached map) within Section 36, T3S, R14E, SBBM, Riverside County that would be located within the East Pit Lower Reservoir from Sheet B, Plan View and Project Boundary. The legal description of this ownership is Lots 1, 2, 3, 4, 5, 6, 10 and 11, N1/2 of NW1/4, and W1/2 of the NE1/4 of Section 36, T3S, R14E, SBBM, Riverside County. The CSLC had a portion of this interest previously leased and mined by Kaiser Steel under Mineral Extraction Lease PRC 5678.2 for iron ore. These State lands and the pit surrounding them still contain substantial iron ore resources as identified by the California Geological Survey. We are concerned that, should the Eagle

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Mountain pumped storage project come to fruition, future extraction of iron ore would not be possible and mineral revenues for STRS would be precluded.

According to the DEIR, if the proposed project is approved and constructed, the State's ability to mine this parcel would be impeded during the life of the Project. The placer deposits at the east end of the lower (East) pit, with an estimated 21.4 million short tons ore reserve in the East Pit – Alluvial resource area, would become inaccessible. This is approximately 6.3 percent of the estimated Eagle Mountain ore reserves.

However, staff is also aware that iron ore mining at Eagle Mountain was completely dependent on the availability of rail transportation. The rail line has been inactive since 1986 and would require substantial reconstruction for reoperation.

The second interest of the CSLC that could be impacted by the proposed project is a 5.75-acre fee simple interest in the SW4 of S16, T5S, R16E, SBBM, Riverside County, currently leased to Southern California Edison for a transmission line right of way. From Figure 3.2 (Groundwater Basins Pipeline Area), the new proposed water pipeline could traverse this area and would likely require a right of way lease.

We appreciate the opportunity to comment on the DEIR and would appreciate if you could keep us advised as this process moves forward so that we may participate appropriately. If you have any questions, please contact Greg Pelka at (562) 590-5227, or by e-mail at [greg.pelka@slc.ca.gov](mailto:greg.pelka@slc.ca.gov).

Sincerely,



Cy R. Oggins, Chief  
Division of Environmental Planning  
and Management

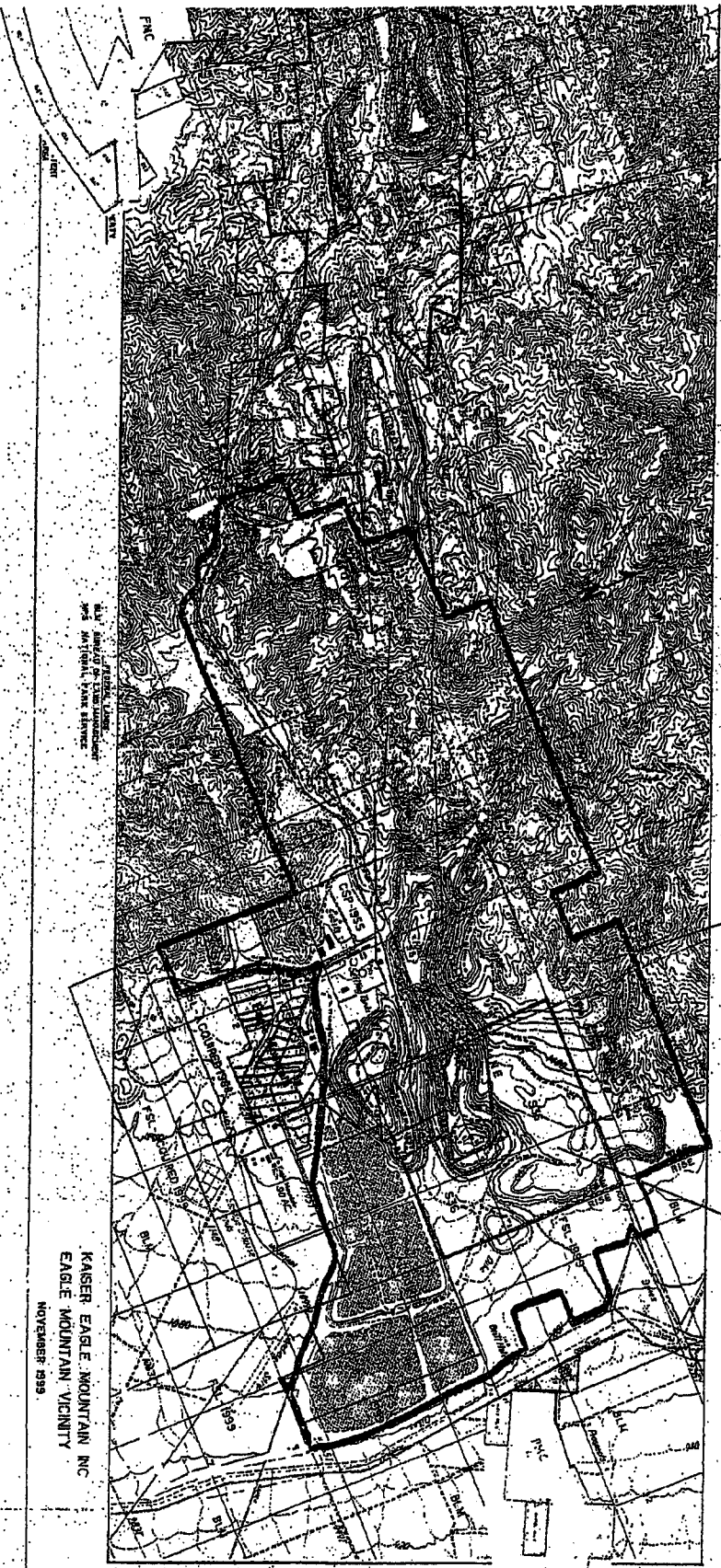
Attachment

cc: Office of Planning and Research  
MRMD, CSLC  
DEPM, CSLC

ACRE WESTEND PROPERTY

LANDFILL

STATE MINERAL INTEREST



KAISER EAGLE MOUNTAIN MINE