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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

EXECUTIVE SECRETARY

May 25, 1994

To: Board of Directors (Water Problems Committee--Information)
(Legal and Claims Committee--Information)

From: General Counsel

Subject: Eagle Mountain FERC Proceedings

Report

Metropolitan has for the past three years participated in Federal Energy Regulatory Commission (FERC) and related proceedings for placing a large pump storage hydroelectric generating project (Project) at Eagle Mountain in the San Bernardino Desert^{1/}. Eagle Mountain Energy Company (EMEC) initiated the proceedings by applying for a permit to study using empty Kaiser Steel Resources Inc. mining pits near Metropolitan's Colorado River Aqueduct (CRA) and its Eagle Mountain pumping plant.

Metropolitan protested EMEC's 1991 study permit application because it designated the CRA as the source of water for the Project primarily because CRA water is not available for the Project. Kaiser Steel Resources Inc. and Mine Reclamation Corporation (K/MRC) which have a competing preexisting proposal to use the same pits for a solid waste disposal facility, also protested the permit application.

FERC, nevertheless, issued the study permit, and EMEC has apparently completed its studies. Earlier this month, FERC issued a notice that EMEC has filed an application for a license to build and operate the Project. Of particular importance, the license application now identifies local groundwater as the Project's water supply, as a result of Metropolitan's participation over the past three years^{2/}.

^{1/} Pursuant to action taken by your Board at its April 1991 and June 1993 meetings (Minute Items 38894 and 40287).

^{2/} In addition to intervening in the permit proceedings and participating in the permit study consultation process, Metropolitan also intervened in an appeal challenging the study permit which K/MRC filed last year with the U.S. Court of

(continued...)

The license application proceedings are, however, still important to Metropolitan, because they will establish Project design and operating criteria. Furthermore, the application specifies that the CRA or more distant water sources constitute the alternatives to local groundwater. Objections have been raised by others regarding the availability of local groundwater to provide the water supply the Project description specifies^{3/}.

Accordingly, Metropolitan has filed a motion with supporting affidavits and exhibits, to intervene in the license proceedings, so that it can advise FERC appropriately of potential impacts on the CRA and its operations. The motion reasserts that CRA water is not available for the Project and notes that the final location of the Project's 500 Kv transmission line, and other things, are of some concern, since they could impair Metropolitan's existing facilities and operations.

The General Manager's staff is currently reviewing the application volumes^{4/} for potential impacts on Metropolitan so that it can provide additional comments to EMEC and FERC. FERC requires that requests for additional scientific studies needed to form an adequate factual basis for a complete analysis of the application on its merits must be filed by June 28.

The FERC staff will subsequently review the adequacy of the application, prior to formally accepting it. After formal acceptance, FERC will then prepare an environmental impact statement for the Project, pursuant to the National

^{2/} (...continued)

Appeals for the District of Columbia. The Court heard oral argument on that appeal earlier this month and is expected to rule relatively soon. A ruling invalidating the permit may affect the licensing proceeding only indirectly, but would have direct impact on a related land exchange between K/MRC and the U.S. Bureau of Land Management.

^{3/} The application specifies a two year reservoir filling requirement of 19,000 acre feet and an annual replenishment requirement of 2500 acre feet to offset evaporation and seepage.

^{4/} The license application consists essentially of four large volumes of description, analysis and data, part of which will provide the basis for FERC's environmental review of the Project.

Environmental Policy Act^{5/}. The permitting process is thus expected to extend over the next two or three years.

Board Committee Assignments

This letter was referred for information to:

The Legal and Claims Committee because of its authority to study, advise and make recommendations with regard to litigation brought by the District pursuant to Administrative Code Subsection 2461(a); and

The Water Problems Committee because of its authority to study, advise and make recommendations with regard to energy matters relating to water supply pursuant to Administrative Code Subsection 2481(h).

Recommendation

For information only.

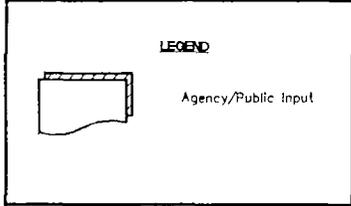
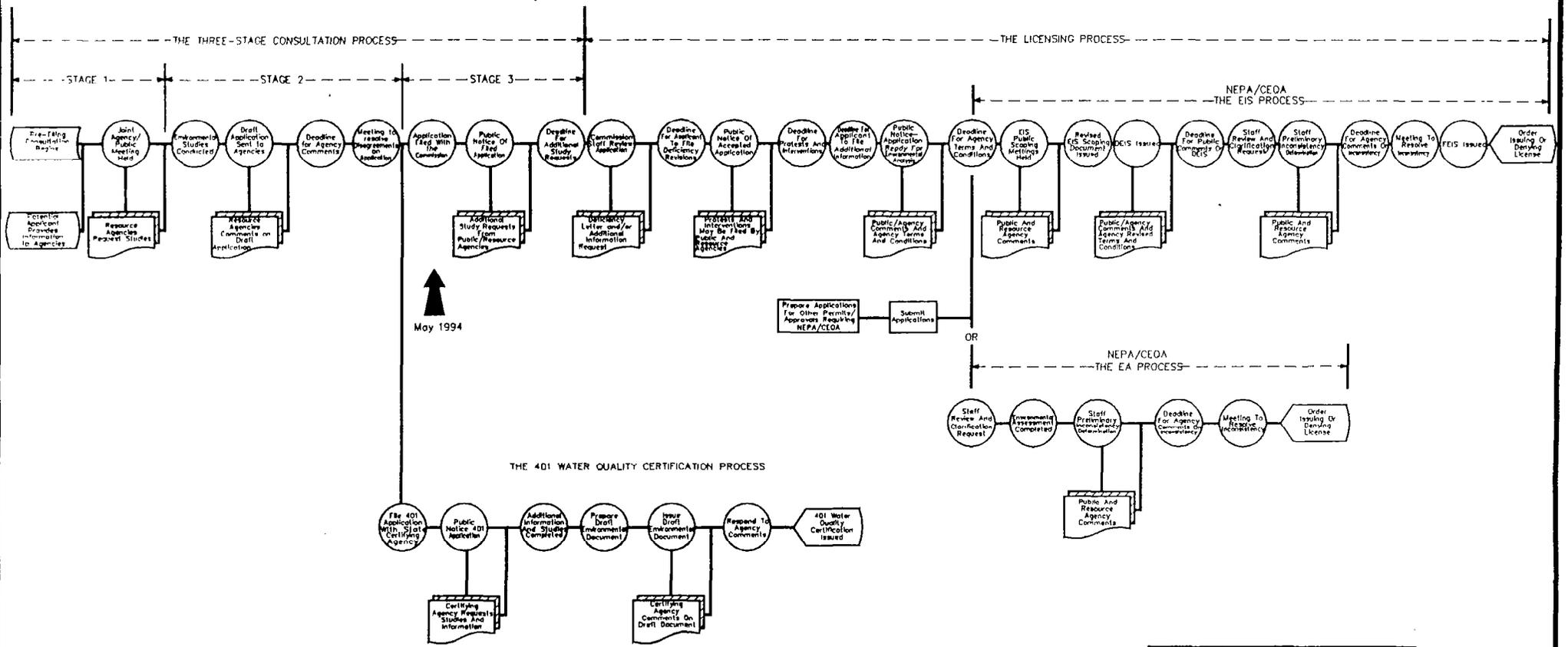

N. Gregory Taylor

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Attachment

^{5/} In addition, EMEC must obtain a water quality certification from the State Water Resources Control Board pursuant to requirements mandated by Section 401 of the federal Clean Water Act (33 USC §1341). A schematic of the FERC licensing process is attached for reference.

EAGLE MOUNTAIN PUMPED STORAGE PROJECT

THE COMMISSION'S LICENSING PROCESS



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