



April 10, 2008

CPUC/BLM

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To Whom It May Concern:

The ENPEX Corporation is the sponsor of the San Diego Community Power Project referenced as one of the potential natural gas fired plants included in the Overall Environmentally Superior Alternative, Alternative 1. New All-Source Generation Alternative, in the DRAFT Environmental Impact Report/Environmental Impact Statement and Proposed Land Use Amendment, San Diego Gas & Electric Company Application for the Sunrise Powerlink Project, Sch No. 2006091071, DOI Control No. DES-07-58, Dated January 2008 (hereinafter called EIR). ENPEX respectfully submits the following comments to the EIR.

1. Comment Related to the Environmental Findings:

The ENPEX Corporation concurs with the general finding, referred to in the EIR as the Overall Environmentally Superior Alternative, Alternative 1. New In-Area All-Source Generation Alternative that a reasonable mixture of in basin natural gas fired generation and renewable generation is an environmentally more benign solution to San Diego regional energy needs than the proposed Sunrise Powerlink. This conclusion is irrefutably logical and well supported by detailed analysis of all of the alternatives. While no solution to our energy needs is totally benign, it is logical to assume that the reasonable deployment of the most environmentally acceptable, efficient and cost optimized in-basin generation solution will be a more environmentally acceptable solution than the proposed Sunrise Powerlink as long as the net environmental impacts of the in-basin generation plants (natural gas and renewable) are less than the combined total of environmental impacts due to the construction of new power plants outside the San Diego basin plus the environmental impacts of the power line required to bring the net energy from these plants into San Diego.

The detailed analyses associated with each of the alternatives appear to be comprehensive and well researched. The information related to the ENPEX Corporation's San Diego Community Power Project is generally correct and reasonably indicative of the potential environmental impacts associated with the development of this 750 megawatt, natural gas fired and air cooled facility. The environmental issues related to the construction and operation of the San Diego Community Power Project will be addressed in the detailed

studies and designs associated with the project's applications for United States and California permits. The ENPEX Corporation does not concur with all of the specific comments in the EIR related to the construction and operation of the San Diego Community Power Project, but does believe that the comments in general are reasonable and do form a guideline for approaching the further development of this in-basin power plant. To the extent that the development of the San Diego Community Power Project continues, we will use the EIR comments as a significant input to assure that the construction and operation of this plant will be done in an environmentally acceptable manner and with great sensitivity to the environment and surrounding community.

Based on our own environmental studies and understanding of our own San Diego Community Power Project, the ENPEX Corporation believes that the quality of work done in the EIR is excellent. Using the detailed analysis of the ENPEX Corporation's project that is included in the EIR as a guideline, we believe that the content of the EIR is comprehensive and reasonable, and can be relied upon by the public as a well documented summary of the potential environmental impacts of the Sunrise Powerlink and its alternatives.

2 .Is The Overall Environmentally Superior Alternative Real and Can It Be Implemented?: While the EIR concludes that a reasonable mix of in-basin generation is environmentally a better solution for supplying electricity to the San Diego region than the proposed Sunrise Powerlink, one must ask the question, "Is such a solution possible to implement?". The ENPEX Corporation believes that the Overall Environmentally Superior Alternative can be implemented and should be implemented regardless of the final decision on the Sunrise Powerlink.

While ENPEX can not provide authoritative comments on the status of other existing or potential generating plants in San Diego, it can provide a brief status report related to its own development of the San Diego Community Power Project. This nominal 750 megawatt combined cycle, gas fired plant has been under development since 2000. The project will incorporate the most efficient and environmentally acceptable technology to convert natural gas to electric power on land to be purchased from the Department of the Navy at the eastern end of MCAS Miramar in San Diego. The San Diego Community Power Project has advocated reasonable pricing based on totally transparent contracts and a commitment to protecting the environment and surrounding community since its inception in 2000.

The most significant hurdle to the development and implementation of the San Diego Community Power Project is the fact that SDG&E is the only market for power in San Diego and it has not provided a contract to ENPEX for power or the purchase of the generating facility. It is a fact that the San Diego Community Power Project provided the lowest cost bid to SDG&E in response to its 2003-2004 request for offers; and, in 2007 ENPEX and its bidding partner Cogentrix (a wholly owned energy subsidiary of Goldman Sachs Group, Inc.) provided to SDG&E an innovative bid that would have provided to SDG&E's ratepayers net energy and capacity at an environmental and

economic cost that is significantly less than will be possible from SDG&E's recently acquired El Dorado facility near Las Vegas, Nevada.

Based upon its own experience, the ENPEX Corporation believes that the Overall Environmentally Superior Alternative can be implemented in a cost effective manner, but only if decisions related to its implementation are made transparently by a "decider" that does not have affiliated interests.

3. A Note On The Costs Associated With The Sunrise Powerlink:

The cost of building in basin gas-fired generation approximates one thousand dollars per installed kilowatt (\$1,000/kw), approximately the same cost as projected for the Sunrise Powerlink. If Sunrise imports electricity from existing gas fired power projects into the San Diego region, the real landed cost of electricity would include capital and operating charges from the generator, fuel costs, and the associated capital recovery for the new Sunrise Powerlink and an additional charge for line losses. For example purposes only, if one assumes a nine percent capital charge for a blended rate of equity and debt (7 % interest on debt and 11% return on equity and a 50/50 debt/equity ratio) and an amortization period for all capital of 20 years, the annual cost of capital for new gas fired generation or the Sunrise Powerlink would be approximately ninety-thousand dollars per megawatt per year (\$90,000/mW/yr). Since no gas fired generator outside of the basin would be any more efficient than a new one in the San Diego basin (in fact, because of line losses, no out of basin generator could be as efficient as an in-basin generator) the cost of operations including fuel will have to approximate those same costs of an in-basin generator (in fact with line losses the net operating costs associated with an out of basin generator will in all likelihood be a higher than an in-basin generator's net costs). But, a Sunrise Powerlink advocate will say that the out of basin plants are cheaper (maybe they are older, maybe they are not as clean, or maybe they are not really cheaper), so if one assumes that they magically cost on the order of seven hundred dollars per installed kilowatt (\$700/kw) the annual cost of capital for the out of basin generation plant would approximate sixty-three thousand dollars per megawatt per year (\$63,000/mW/yr). So, if we add it up, the capital cost for one megawatt of local in-basin generation would be approximately ninety-thousand dollars per year (\$90,000 per year). The capital cost for one megawatt of out of basin generation delivered into San Diego would be approximately sixty-three thousand dollars (\$63,000) per year to pay for the out of basin generation plant plus ninety thousand dollars (\$90,000) per year to pay for the line or a total of one-hundred and fifty-three thousand dollars (\$153,000) per year. Assuming that we are talking about seven hundred 700 megawatts running ninety-seven percent (97%) of the time this equals a total annual capital cost of sixty-three million dollars (\$63,000,000) or \$10.59 per megawatt hour for in-basin generation; and, a total annual capital cost of one-hundred and seven million dollars (\$107,100,000) or \$18.01 per megawatt hour for the out of basin Sunrise Powerlink generator. Since we have stipulated to the notion that operating and fuel costs would be similar, there is no doubt that the Sunrise alternative must be a high cost alternative to in-basin generation (add in line losses and it only gets worse).

Conclusion:

The EIR format provides environmental reasons for alternatives to the Sunrise Powerlink Project. Simple economics and common sense provide reasons for alternatives to the Sunrise Powerlink Project. But, unfortunately, the decision is not that simple or that easy.

If one assumes growing electricity demand and the need for ever tighter environmental standards in response to economic growth and global warming, then there is undoubtedly a need for multifaceted decision making that will incorporate energy conservation (including reliance on the most efficient generating technology, especially when consuming natural gas or other fossil fuels), renewable energy development wherever economically reasonable and technically feasible, adoption of emission free generating technology (nuclear) and highly efficient and well managed energy grids. The Sunrise Powerlink decision touches upon many of these areas and must be viewed in a larger context.

The only real way to make a significant dent in our greenhouse gas emissions footprint is to create an energy system that is highly efficient and conservatively used. If one guides the Powerlink decision by the following criteria there is a chance that we will be creating a platform for a future that has a chance at limiting greenhouse gas production:

- 1) Does the decision provide for the most energy efficient system?
- 2) Does the decision provide for the most efficient utilization of high cost renewable energy? (Is San Diego the closest good market for the utilization of Imperial Valley renewable energy or could Imperial Valley renewable energy be more effectively utilized in other markets?)
- 3) Does the decision represent the best use of capital to achieve the stated ends of developing renewable energy sources and increasing grid reliability and interconnectivity?
- 4) Does the decision bring California society one step closer to developing a highly efficient and clean transportation system that could be powered by off-peak electricity that is produced in highly efficient power plants and possibly even zero emission power plants (renewables and nuclear)?

If ultimately all four of those criteria are met by Sunrise Powerlink then perhaps it should be built. But, if that is the outcome, one must then consider the actual impact of the alternative routes of the line. And, one can only hope that any decision on routes would favor at all times the preservation of our beautiful natural world.

Sincerely,



Richard H Hertzberg
President