

**Boulevard Planning Group
P.O. Box 1272
Boulevard, CA 91905**

CPUC/BLM
c/o Aspen Environmental Group
235 Montgomery Street, Suite 935
San Francisco, CA 94104

August 25, 2008
VIA E-MAIL

**Comments on the Sunrise Powerlink Recirculated DEIR/Supplemental DEIS &
Request Recirculation of RDEIR/SDEIS Based On New And Significant Information**

Dear Ms. Blanchard and Ms. Kastoll,

The Boulevard Planning Group, previously known as the Boulevard Sponsor Group, is an elected advisory land use group serving the community of Boulevard, the approximately 1,600 people who live here, the County of San Diego Board of Supervisors, and various county agencies. Boulevard is located in picturesque Eastern San Diego County. At our regular meeting held on August 7, 2008, our group voted unanimously to submit comments addressing our continued opposition to the Sunrise Powerlink, in its entirety, and specific concerns with new and increased significant and cumulative impacts resulting from the selection/approval of any southern routing, and industrial wind energy projects, with their additional transmission infrastructure. We also hereby incorporate our previously submitted comments, objections, and concerns.

The No Project/No Action Alternative is the best choice.

We urge the CPUC/BLM to make the right choice by denying the ill-advised, destructive and incredibly expensive, Sunrise Powerlink, and redirecting the focus from distant industrial scale energy generation, to developing distributed on-site, or close to point of use, energy production, and related infrastructure upgrades. Add in new fair market value feed-in tariffs for citizen and public generators of renewable energy, increased energy efficiency standards and incentives, new and improved LEED building requirements, such as the Department of Energy's efforts to develop marketable Net-Zero Energy Commercial Buildings, that use advanced efficiency technologies and on-site renewable energy generation, increased subsidies for retrofitting older less energy efficient buildings. With a new direction, we will be well on the way to a better, and more sustainable, energy future. And it can be done without the unwarranted and unnecessary sacrifice of our rural communities, or our cherished parks, forests, wild lands, wildlife, deserts, and open spaces.

Unwilling Rural Sacrifice Zone

Despite our opposition to the entire project, it is an undeniable fact that our community, and others, along with incredibly biologically rich and sensitive lands, including the Cleveland National Forest, the McCain Valley Resource Conservation and National Land Cooperative, Hauser Wilderness Area, and more, will be the most significantly and irreparably impacted and damaged by the double punch of the approval of any of the southern transmission routing options, and multiple speculative and damaging wind energy projects. The so-called Environmentally Superior Southern Route (ESSR) currently includes the I-8 Alternative, the BCD Alternative, and the BCD South Revision. The RDEIR/SDEIS document disingenuously the Overall Environmentally Superior Generation Alternatives as *non-wire alternatives*: (1) New In Area All-source Generation Alternative and (2) New In-Area Renewable Generation Alternatives. The fact is, both "non-wire" alternatives include

local wind energy and many new miles of “wires”. We are the latest example of an unwilling rural sacrifice zone offered up for the benefit of others. We will not be dragged down quietly.

East County communities along southern route are being thrown to the wind energy wolves who are showing up in droves --wearing sheeps’ clothing

The Boulevard, La Posta, and Jacumba areas will be the most heavily impacted by the cumulative impacts of any southern routing and the ever-expanding wind energy feeding frenzy triggered by renewable energy mandates, and the Sunrise Powerlink. We are in the midst of an all out assault by a multitude of wind energy wolves, land sharks, and snake oil salesmen. They have all been attracted by the bloody scent on the wind from our targeted and soon-to-be-dead rural community character, our wild lands, our irreplaceable expansive views, our quiet dark skies, and our residential property values. These pitchmen are slinking around local planning group meetings, local BBQs and events, meeting with local tribes, and property owners, and developers. They don’t bother or care to educate themselves on local codes or zoning ordinances, and they are so emboldened by their own greed elevated sense of self, that one company has even defied the county’s written requirements for a Major Use Permit for the installation of anemometers on private property. They promise the moon and have no shame.

Each wind turbine = a source of ignition for wildfire

Each and every turbine, and related electrical infrastructure, through malfunctions, or other mishaps, represents an ignition source for fire in a an area subject volatile high and severe wind events and a fuel load that has not seen a significant fire in 50-90 years. Just Google wind turbine fires and take a look. The location in wind channel represents a firestorm in the making, in a federally listed at-risk community, upwind from many homes, communities, and incredibly sensitive habitat. Our reliance on mostly volunteer fire departments with some backup from CAL FIRE and Campo Reservation Fire, only aggravates an already dangerous situation. The BLM has previously ordered “*emergency closure of public lands in the McCain Valley Conservation area, along the Boulevard section of East County*” stating that “*The extreme fire conditions currently in this area prompt us to issue this closure order in the interest of public safety.*”(SDUT 10-28-07) The BLM should include the shut-down wind turbines during those closures.

Perceived bias: Southern route communities being treated like the proverbial red-headed step child

To those of us who have avidly participated, and paid close attention, an unfortunate undercurrent of bias has been present throughout the public process. It is probably even more point blank in the closed door meetings that we do not have access to and that do not require ex-parte notices. It was from an ex-parte notice that we learned an Anza Borrego State Park representative actually advocated for a southern route. Even staff at the Jacumba workshop for the RDEIR/SDEIS, in a personal comment to me, stated that everyone thought that SDG&E must have offered the Campo Band some kind of pay-off to get them to oppose the I-8 Campo North routing through their tribal lands-- implying that there could be no other valid reason for their objections. Well, why wouldn’t Campo tribal members have every reason and right to tell their leadership to object to an unsightly and obnoxious project, in just the same the way that every other community has objected? According to tribal members, that is just what they did—once they actually found out about it. This apparent mind-set and bias is very worrisome. Especially when we repeatedly hear there is already a quorum of Commissioners ready to approve a southern route. The handwriting is on the wall and it is so clear that even SDG&E can read it.

**New Significant and previously undisclosed information
requires further recirculation:**

La Rumorosa/Baja Wind:

- **SDG&E and Sempra Generation both failed to disclose that Sempra Pipelines & Storage's Gasoducto Bajanorte, the existing 30"- 140 mile long LNG pipeline, with the capacity to move 500 million cubic feet per day, crosses land leased for their La Rumorosa /Baja Wind energy project. Nor did they disclose the fact that a new water pipe line (approximately 30") is currently being installed through the same area (photos are available). The NEPA and CEQA requirements for full discussion of reasonably foreseeable direct and indirect consequences in EIS/EIR documents should trigger a new recirculation of the Sunrise Powerlink RDEIR/SEIS.**

When you add a new cross-border transmission line and a new water line, to the existing gas line, the combination represents the reasonably foreseeable consequence of a gas-fired power plant at this site. This scenario is similar to Sempra Energy Resources' cross-border transmission line built to serve their 600-625 MW Termoelectricia de Mexicali, gas-fired power plant near Mexicali, Mexico, which also connects to the Southwest Powerlink and the grid at the Imperial Valley Substation. (<http://www.gasoducto-bajanorte.com/English/index.htm>, <http://www.power-technology.com/projects/mexicali/>).

SDG&E's Failure to disclose and potential conflict of interest:

- **While still paying public lip service to their pursuit of a northern route, SDG&E failed to fully or publicly declare or disclose their reported plans to drop that route and focus instead on the revised southern route. Nor did they fully or publicly declare or disclose their alleged escrow to purchase approximately 7,200 acres of Boulevard land in the McCain Valley and Tierra Del Sol area of Boulevard, for the stated purpose of wind energy generation. The subject property, transected by several of the southern routes revisions that avoid tribal lands, represents a potential conflict of interest, and failure to disclose a new and significant connected action and reasonably foreseeable consequence (further increasing already significant wind energy impacts and expenses) deserving a full discussion in a recirculated document.**

The alleged SDG&E escrow, reportedly fell through July 2, 2008 after a dispute arose and a Lis Pendens was filed against the property. This new information was revealed in documents filed in the El Cajon Superior Court Case # 37-2008-00065068-CU-OR-EC: Smith Capital Limited Partnership vs The Lansing Companies, LLC. The original case, not without its own controversy, was dismissed and a similar case was filed by a new attorney for Smith Capital on August 14, 2008 (# 37-2008-00066173-CU-OR-EC). According to the original case file, a Lis Pendens was placed on the subject property after one apparently greedy partner allegedly tried to undercut and bypass another partner by soliciting the same but separate deal with SDG&E, in order to reduce the 50-50 split of the reported \$2 million on the back end of the deal.

Some will say SDG&E's attempts to buy land along a route they had decided to pursue, represents capitalism at its best. Others will see it as a major undisclosed conflict of interest and the potential for additional and significant profits and tax benefits for SDG&E, their parent company

and others, resulting from acting on inside information not available to the public. The CPUC and the BLM decision makers, and the public, have a right to full disclosure of, and access to, information that may influence their decisions.

Industrial scale wind energy produces, on average, 20-30 % of the name plate capacity, or even less, yet it carries huge subsidies and tax benefits, including: Production Tax Credits, Advanced Depreciation, Investment Tax Credits, the sale of Green House Gas credits, tax shelters, tax waivers, full RPS credit for less than full capacity production, a sale price of around \$100 per megawatt hour, plus the potential for the expense/cost of renewable energy, purchased to meet their mandated Renewable Portfolio Standard (RPS), to be recovered from ratepayers. These benefits may provide even more largesse for companies, and /or their parent company and subsidiaries, when they own both generating capacity (including wind farms, and gas-fired back up generation for wind farms) and distribution operations as appears to be the case here. Full disclosure is mandatory for the decision makers and the public to understand the potential conflicts of interest and foreseeable consequences. (California's 2007 Market Purchase Referent (MPR) ranged from \$92-111/Mwh (www.renewableenergyworld.com/rea/news/reworld/story?id=52691)).

BLM Notice of Significant Changes/triples wind energy access & impacts:

- **BLM Notice of Significant changes for the Final EIS for their Proposed Resource Management Plan for Eastern San Diego County (DOI/BLM Notice # 4310-40, 7-28-08) significantly downgrades Visual Resource Management (VRM) Classifications in order to increase wind energy access from the previously proposed 6,900 acres to over 34,000 acres, including Lark Canyon OHV Park and Cottonwood Campground. PPM Energy /Iberdrola Renewables' proposed Plan of Development, for their Tule Wind project in McCain Valley Resource Conservation Area and National Land Cooperative, is currently being revised to address the significant increase in available acreage. The PPM Energy/Iberdrola wind energy project is the current reason for the proposed expansion of the Boulevard Substation and the 14 miles of new 69kV line to the Jacumba/ECO Substation. This does not include the new transmission line that will be needed to connect Tule Wind to Boulevard Substation. The tripling of wind energy access on BLM lands changes the dynamics of potential wind energy in the Boulevard/Crestwood area, including tribal projects, creating a multitude of cumulative negative impacts that need to be addressed in another recirculated RDEIR/SDEIS.**

Much of the ruggedly beautiful McCain Valley Resource Conservation Area and National Land Cooperative will be downgraded from VRM Class II to Class IV, which allows the most destruction and negative visual and other impacts possible, all at the request of one foreign energy corporation who is also the main beneficiary. The sole impetus for these new and significant changes is the January 2008 protest letter, from PPM Energy/Iberdrola Renewables, protesting that the proposed access to 6,900 acres of public land was not enough. While forcefully and greedily demanding more access, they failed to mention that they already have Right of Ways securing another 44,400 acres of BLM land, for wind and solar, within in the BLM's California Desert District, alone. How much public land and American tax payer funded subsidies and other benefits will our government give them? These unwarranted changes will result in a tripling of the already significant and cumulative impacts to our natural, cultural resources, and visual resources, as to community character, and community disruption during construction and operation. The community of Boulevard, along with the tribal communities of Campo, La Posta, and Manzanita will bear the heaviest burden of these cumulative negative impacts.

Wind energy going for close to \$100 /Mwh:

- **CAISO'S Draft Preliminary Result's - Sunrise Economic Evaluation - Critical Assumptions Page 5 (per Aug 22 workshop handout) shows a RPS Value of 66 \$/MWh for wind which is far below California's Market Price Referral (MPR) which is around \$ 100 /MWh. This sets a high asking price for wind output regardless of what a project costs to build.** A July 1, 2008 article (remnewableenergyworld.com :Westward HO! US utilities scramble for wind) reported that: The increased pressure to comply with RPS mandates has created a volatile market which is putting upward pressure on wind prices. In 2006 levelized cost of wind was expected to be \$55-70/MWh. An analyst in Oregon stated that the delivered prices for wind power for 2007 ranged from \$85-\$100MWh. California's RPS established a (MPR), of around \$100 /MWh, which is essentially the price below which utilities will likely be able to gain recovery from ratepayers. The MPR varies depending on the year a project comes on line and the project length. A spokeswoman for the California Energy Commission was quoted as saying the 2007 MPR ranged from \$92-111/MWh. This discrepancy, which represents significantly higher costs for wind energy, and the negative impact on ratepayers, appears not just a foreseeable consequence of a connected action, it is a new reality which needs to be addressed in another revised and recirculated DEIR/EIS.

Boulevard Substation demo impacts & 69 kV Wooden to Steel Pole project:

- **Previously undisclosed impacts from SDG&E's proposed Jacumba/ECO Substation and the recently disclosed demolition of their existing 1/4 acre Boulevard Substation to rebuild the new 3/4 acre Boulevard substation (to accommodate wind energy) will most likely result in a repeat of the 2005 situation when SDG&E's 69 kV line had to be reconducted to accommodate the 50 MW Kumeyaay Wind Facility. Boulevard, Jacumba, and several tribal communities, were taken off-grid and placed on 2-3,000 HP diesel emergency generators approximately 2 months.** (Boulevard Planning Group letter to SDG&E 3-16-05 & Meeting Minutes for 3-3-05). We suffered through repeat power outages, brown outs, and surges. Locals reported that they suffered damaged and lost equipment including well pumps, appliances, computers, an incubator and ostrich eggs. This time around , we want an independent monitor to record the power surges and brown outs so we have evidence to secure reimbursement from SDG&E for damaged equipment and other losses.
- **SDG&E has proposed a Wooden to Steele Pole project for their 69 kV line that runs west from the Boulevard Substation. While the project manager for the Jacumba/ECO Substation has stated the two projects are not related, yet, another SDG&E proposal to build a new substation in Jamul in addition to another Wooden to Steele Pole project there, has raised eyebrows.** This new development may represent the initiation of a scenario put forward by SDG&E's Jim Avery at an April 28, 2006 meeting with myself (Donna Tisdale), Kelly Fuller, and Don Parent: *If Sunrise Powerlink is not built, SDG&E will have to upgrade two smaller transmission lines that connect Boulevard to San Diego at an estimated cost of \$200-300 million dollars.* At the time, SDG& E was attempting to convince our community to support their proposed northern route.

Possessory Interest tax for turbines:

- **We are not aware of any previous disclosure during this project review, regarding a possessory interest tax for turbines built on public land or tribal land which benefits the State and the County. Based on a percentage (1.1-1. 2% in 2006) of the total value of the wind energy project**

that tax can add up to the tens of millions of dollars per project. No wonder the Governor and state agencies are pushing wind—they reap the taxes. This should be disclosed to the public.

Sempra's 1,250 MW La Rumorosa / Baja Wind project is not about wind it's really about Sempra Energy's gas line through La Rumorosa

Sempra Generation's proposed La Rumorosa Wind energy Project appears to be another green washed front to allow a much different and more controversial project to move forward under the radar. The project has been sliced and diced into smaller, and they hope, easier to swallow pieces, to evade public scrutiny. The La Rumorosa project is clearly being piece mealed to avoid a legitimate and thorough environmental and overall review process. Here are the main issues:

- **Sempra Generation's proposal for up to 1,250 MW of industrial wind energy** On approximately 7,500 acres appears to either overstate the proposed installed capacity of the project or to vastly understate the amount of acreage needed to accommodate a wind energy project of that size and scale. According the California Energy Commission's "Overview of Wind Energy in California", the average wind farm requires 17 acres of land to produce one megawatt of electricity. If true, the 1,250 MW wind farm would require at least 21, 250 acres, not the proposed 7,500 acres.
- **Sempra Energy's existing 140- mile Gasoducto Bajanorte S.R.L. liquified natural gas (LNG) pipeline actually traverses their La Rumorosa/ Baja Wind lease area of Ejido Jacume and /or Ejido Cordillera Molina, or the fact that a new water line (30" or more in diameter) is currently being installed through the same area. All three elements required for a new gas-fired power plant will be in place at La Rumorosa / Jacume; transmission, natural gas, and water.** This scenario is similar to Sempra Energy Resources' cross-border power line built to serve their Termoelectricia de Mexicali, near Mexicali, Mexico. NEPA and CEQA requirements for full discussion of reasonably foreseeable direct and indirect consequences in EIS/EIR documents should trigger a new recirculation of the Sunrise Powerlink RDEIR/EIS
<http://www.power-technology.com/projects/mexicali/>
<http://web.ead.anl.gov/bajatermoeis/background/projects/index.cfm>
- **Sempra Generation's, Alberto Abreu has confirmed the fact that the LNG line transects their La Rumorosa lease area, but claims their existing leases and agreements do not allow that.** Contracts and agreements could be easily revised to allow gas-fired generation. The 140- mile northern Baja LNG pipeline, with a capacity of 500 million cubic feet per day, is reportedly undergoing an expansion and addition of a 45-mile spur to connect to Sempra LNG's new Energia Costa Azul LNG receipt terminal, and looping and compression on the existing line. The reasonably foreseeable consequence of a gas-fired power plant being built at this location, and the reasonably foreseeable transmission of gas-fired energy through Sempra Generation's proposed cross-border 500kV line, the Southwest Powerlink, and proposed Sunrise Powerlink has been withheld from the CPUC/BLM and the public, thereby, creating the false impression that only wind energy would or could be generated at La Rumorosa.
- **The 1,250 MW La Rumorosa Wind project, which is beyond US, California, and San Diego County regulation or control,** was reportedly approved by Mexican authorities back in 2006. Requests to Sempra for an English translation of those approval documents has been ignored and unfulfilled.

- **Environmental studies incomplete despite the reported 2006 approval from Mexican agencies.** At the June 12, 2008 meeting in Jacumba, Alberto Abreu, Director Project Development for Sempra Generation, and Kelly Prasser Regional Manager, Corporate & Community Relations, Sempra Energy, informed two Boulevard Planning Group members (D. Tisdale & B. Parson) that they had nine anemometers in place and one year of wind data for La Rumorosa, they are reportedly working with Mexican Ecology Institute on avian and bat surveys “in Mexico”, they are trying to get the San Diego Zoo involved in Condor and Golden Eagle surveys, and they had not yet conducted micro-wave beam path study for radar impacts—which may end up reducing the number of turbines allowed as happened at Arborfield near the Heathrow airport recently.
- **The little town of El Condor is near La Rumorosa.** It was named for obvious reasons. In 2007, a tracked Condor flew from Mexico into Eastern San Diego County and back. Condors like to glide in the updrafts along the Sierra Juarez where the La Rumorosa turbines are proposed.
- **Department of Energy will conduct a separate and limited review for Sempra’s Presidential Permit Application (PP-334) for the 500 kV cross-border transmission line *only*.** Two EA scoping hearings are set for August 26th in Jacumba. The transmission line is needed to connect La Rumorosa to the existing grid. Calls for a full EIS have gone unheeded.
- **Both NEPA and CEQA require full discussion of reasonably foreseeable consequences of proposed actions.** In the case of the Presidential Permit Application for the 500-kV transmission line, the reasonably foreseeable consequence includes the potential for construction of a gas-fired fueled power plant at or near the La Rumors/Giacomo, and for that energy to be moved on the cross-border line to the US grid. A full EIS/EIR is required.
- **S.G.&E’s proposed ECO Substation (A.K.A. Jacumba Substation), 14 miles of new 69kV line between the Jacumba/ECO and Boulevard Substations, and expansion of the Boulevard Substation from 1/4 acre to 3/4 acre.** This is yet another separate review by the CPUC and the County of San Diego. As of August 21, the S.DG.&E project manager, Darren Weim, stated they are close to having the Proponent’s EA document ready and will attach it to Permit to Construct (PTC) application and file the package with the CPUC perhaps by September. S.DG.&E has informed us that a 100' wide easement, the majority of which will require new and expanded right-of-way, much of it across private property, will be required.
- **The BLM’s recent Notice of Significant Changes to the Final EIS/Proposed Resource Management Plan for Eastern San Diego triples the amount of acreage available for wind energy access representing increased significant, negative, and cumulative impacts, for this connected action.**
- **The Sunrise Powerlink, or other new transmission line, is needed to move any new energy generated at the La Rumorosa location, whether that energy be produced by wind or natural gas.**
- **Phase I of La Rumors’s proposed wind production was originally purchased by SCE and later dropped after the Power Purchase Agreement was challenged by the CBD/Sierra Club in a letter (1-29-08) stating that the project appears likely to violate an international treaty, state, and federal environmental law.**

- **The Sempra PPA-334 application addendum (3-19-08) states that they have eliminated their initial activity described in their December 2007 application to install 10 MW of wind generation to be interconnected locally to the CFE electrical grid (Jacume project).** Has Ejido Jacume been notified of this change, or would they be advised later that “things just didn’t work out as we had planned—so no electricity for you”.
- **Visual Resources: All of our previous comments still apply.** Section 2.3 still leaves out the numerous impacted geographically extensive view sheds from the high points of Boulevard. The La Rumorosa project area of the Sierra Juarez is highly visible from many sections of Tierra Del Sol Road and general Tierra Del Sol area along the Tecate Divide, also from the Tierra Heights area of Boulevard, and the Jewel Valley Court area. It is also highly visible from east bound Historic Route 80 as you crest the Tecate Divide at Tierra Del Sol Road, and from miles of I-8. Due to the extensive height of the turbines, in excess of 400 feet with blinking lights, they will also be visible from many parts of Anza Borrego State Park, Jacumba Wilderness Area, the Pacific Crest Trail, Table Mountain, Corrizo Gorge Canyon Wilderness Area, McCain Valley Resource Conservation Area, and from many other locations on both sides of the Sierra Juarez/In-Ko-Pah Mountains and from both sides of the US/Mexico border. These significant visual impacts and degradation of high quality view sheds become even more overwhelming when you add in the cumulative impacts from the increased wind energy access on BLM lands in McCain Valley (PPM Energy/Iberdrola Renewables 200 MW Tule Wind Project), tribal lands and elsewhere.

**Increased reliance on intermittent wind energy
and importation of energy from out-of-country fails to meet
Project Objective # 1: SDG&E’s stated need to Maintain Reliability**

- Increasing reliance on importation of energy, wind or gas-fired, from Mexico, in a volatile and violent section of the US/Mexico border, does nothing to maintain reliability.
- The Mexican military has had to take charge of the border region due to entrenched, violent and well-organized and well-armed criminal cartels. We live on the border and know this is not an issue to be taken lightly.
- Baja law enforcement officers have sought asylum in the US to escape the ongoing bloodshed.
- In the event of a leftist take-over or military coup, energy generation and transmission systems could be nationalized as has occurred in Venezuela under Chavez, and elsewhere.
- Increasing reliance on intermittent wind energy, which requires backup generation of up to 90% of the name plate capacity, does nothing to maintain or increase reliability.
- Interconnecting all of the existing and proposed new generation projects to the same remote and vulnerable Imperial Valley Substation, again in the volatile border area, significantly reduces overall reliability.

**Increased reliance on intermittent and expensive wind energy
fails to meet Project Objective # 2:
SDG&E’s stated need/goal to reduce the cost of energy in the region**

- According to research conducted by WindAction.org, subsidies for wind dwarf most types of fuel at \$23.37 MWh, and due to their low rate of actual production (10-30% of nameplate capacity), they require up to a 90% backup from companion generation—usually natural gas. So, a 200 MW wind farm could require up to 180 MW of backup generation.
- Recent articles state that California has set a high Market Price Referent of around \$100/MWh and that has prices have been driven up. Analysts reported 2007 wind energy prices of \$85-100/ MWh.
- SDG&E's parent company, Sempra, and various subsidiaries, control the local gas market and will benefit from the need to provide gas-fired backup. La Rumorosa will provide an excellent location for new gas-fired power with a new trans-border transmission line, an existing LNG line, and a new water line in the process of being installed. SDG&E will benefit from all the new transmission infrastructure that will be needed.
- According to information provided in April 2006, by SDG&E's Jim Avery, the approval and construction of the Sunrise Powerlink, at a cost of over \$1.5 billion and climbing, is needed to move new wind energy out of East County.
- 200 MW of wind energy is needed to tap into the Southwest Powerlink, at an estimated cost of \$50-75 million.
- That \$50-75 million estimate does not include the new 10 miles or more of new 69 kV line from McCain Valley to the Boulevard Substation, or the private easements that need to be obtained and purchased by any wind energy developer.

S.G.&E's Jacumba /ECO Substation

All previous comments still apply

The S.DG.&E project manager and the La Rumorosa representative both informed me personally, that the Jacumba/ECO Substation had been moved further to the west to avoid Big Horn Sheep Habitat, even though they expected USFW to move the BHS boundary to the north of I-8. After reading earlier testimony from Ester Rubin regarding BHS movement under and south of I-8, and knowing the pressure reportedly applied to various federal agencies, under the current administration, this raises concerns that undue pressure may have been applied to the USFW to benefit the proposed project. The area is also Quino Checkerspot Butterfly habitat and more.

Page 2-6: The RDEIR/SEIS states that a 300,000 gallon water tank will be installed along with a fire-prevention system and hydrants. Where will that amount of water come from and how will it be delivered? If delivered by truck, have those additional vehicle trips/emissions been factored in? Emergency generator should be required to run on propane and not on diesel. There are also concerns with impacts on dark skies.

S.D.&E Boulevard Substation

All previous comments still apply

Page 2-13: For negative impacts from demolition and expansion of Boulevard Substation see previous comments regarding the 2005 problematic experience with being placed on 2-3,000 HP emergency generators while 69 kV line was being restructured for Kumeyaay Wind.

Page 2-16: For turbine construction in La Rumorosa, the document states that about 6,000 gallons of water is needed for concrete for each turbine footing. While this issue is under Mexican jurisdiction, there should be no manner of cross border water supply/transfer approved or allowed.

At page 2-24, 2-29, 2-50: The document states that due to the substation expansion involving already developed land, no special status plants species have a potential to occur. According to the property owner whose property abuts the Boulevard Substation on the east, S.G.&E made an offer to purchase her property for the substation expansion, reportedly stating they needed her property because the property to the northwest, originally proposed for the expansion, has some environmental issues that would prove problematic for them. As of August 22, S.G.&E had not further pursued purchase of the property to the east.

Neighbors have expressed concerns with negative impacts from this proposed substation expansion new transmission lines, new and expanded right of ways, noise, light, dust, disruption of power, and more.

S.D.G.&E 69 kV Transmission line:

All previous comments apply

According to an e-mail (6-14-08), the S.DG.&E project manager confirmed that they will need a new easement for the 69 kV line adjacent to SWPL. The current design will require 100' wide easement. A majority of the segment running along the 12kV easement from Boulevard to SWPL will require new right of way. The easements where they will over build the 12 kV with 69kV will need to be widened to accommodate the transmission needs. Much of these impacts and intrusions will occur on private property. And those impacted property owners are not happy campers.

Summary

It is an incredibly sad state of affairs and position that we find ourselves in, today. The powers that be and the general public have taken the easy way out for far too long. Things need to change. Never did we dream that our wild and beautiful places would be handed over to foreign and domestic corporations and trampled in the stampede to industrialize our beloved backcountry and deserts—indeed most open spaces and mountain tops in the land seem to be under threat. Never did we dream that our tiny community, like so many others around the country, would be mobbed by the wind wolves and land sharks, grabbing up everything in sight, turning neighbor against neighbor. Greed does that. Gluttony does that. That is not what we want. There really is a better way. Just say no to the Sunrise Powerlink and yes to better energy efficiency, building standards, feed-in tariffs, and various forms of renewable energy production closer to the point of use.

Sincerely,

Donna Tisdale, Chair

CC: Interested parties

July 30, 2008

Why are New York Political and Business Leaders putting the interests of Spain-based Iberdrola ahead of the interests of New York's taxpayers and electric customers?

New York's taxpayers and electric customers are facing a serious threat:

- Iberdrola, the Spanish company that wishes to acquire Energy East and its electric and gas distribution subsidiaries¹ is insisting that it will “walk away from” the deal if it is not permitted to build “wind farms” in New York.²
- High-powered New York political, business, labor and media leaders (including Governor Paterson and Senator Schumer) are working to get members of the NY State Public Utility Commission (NYS PSC) to overturn the PSC Staff's recommendation and the Administrative Law Judge's conclusion that Iberdrola should not be permitted to own *both* electric generating capacity (including “wind farms”) and electric distribution companies in NY.
- These NY “leaders” are striving in favor of Iberdrola despite *the demonstrable negative impacts that Iberdrola's proposal would have on New York's taxpayers, electric customers, and state economy.*

This brief paper:

- Provides details on the financial reason that apparently underlies Iberdrola's insistence on the right to own “wind farms” in NY. That is, huge tax breaks available for “wind farms” could permit Iberdrola to sharply reduce or eliminate liability for paying federal or state tax income tax on profits from Energy East Companies' electricity and gas distribution operations.
- Speculates about the reasons why NY “leaders” are working so hard on behalf of Iberdrola – and against the interests of NY taxpayers and electric customers – and the state's economy.

Why is Iberdrola insisting on the right to build “wind farms” in New York?

Clearly, Iberdrola is taking advantage of popular wisdom³ about wind energy, and working to give the company a “green” image. However, it is a virtual certainty that huge federal and state tax breaks and subsidies for wind energy explain the company's threat to “walk away” from the Energy East acquisition if it cannot own “wind farms.”

Specifically, a \$2 billion investment in “wind farms” in New York would permit Iberdrola's Energy East to avoid paying most if not all of the federal and New York state corporate income tax that would otherwise be due on the profits from Energy East-owned electricity and gas distribution companies operating in New York. Profits from Energy East's New York operations (paid for by NY electric and gas customers) would flow out of New York.

When considering the huge tax breaks detailed below, keep in mind that, according to Energy East's 2007 Annual Report, the total amount of all income taxes – federal and all states in which Energy East operates – paid in 2007 was \$114,058,000.⁴

What is startling and disappointing is that NY political leaders – particularly Governor Paterson and Senator Schumer – apparently *do not understand* and/or *do not care* that:

- Federal and state government tax breaks and subsidies have made it so lucrative for organizations to “invest” in “wind farms” to avoid paying taxes that would otherwise be due.
- Tax burden that would be avoided by companies such as Iberdrola’s Energy East would be shifted to ordinary taxpayers who do not have access to such tax shelters. (That is, a large transfer of wealth, exacerbated by higher costs of electricity for electric customers.)

Key Tax Breaks and Subsidies for proposed Iberdrola “wind farms.”

Wind industry lobbyists have been enormously successful in getting federal and state politicians to enact generous tax breaks and subsidies. Specifically, consider the financial benefits to Iberdrola’s Energy East of only the following five tax breaks and subsidies if the company were to own “wind farms” with a total capital investment of \$2 billion.⁵

For simplicity and to be conservative, the following example assumes (i) a cost of \$2,000 per kilowatt (kW) of turbine capacity so that Iberdrola’s \$2 billion would finance 1,000 MW of wind turbine capacity, and (ii) that all the capacity would be added in a single year. Actually, Iberdrola’s public statements assume a lower cost per kW and, quite likely, the proposed investment would occur over 3 or 4 years⁶ but that doesn’t change the key facts.

1. **Federal Production Tax Credit for electricity from wind (PTC).** First, Iberdrola would receive the federal wind PTC, currently \$0.02 per kilowatt-hour (kWh) for electricity produced during the 1st 10 years of operation. Congress is expected to extend this tax shelter beyond its current December 31, 2008, expiration date. By itself, this tax credit would reduce Iberdrola’s federal income tax liability over 10 years by \$525,600,000,⁷ effectively shifting that amount of tax burden to taxpayers who don’t enjoy such tax shelters.
2. **Accelerated Depreciation.** Second, a \$2 billion “wind farm” would qualify for the exceedingly generous 5-year, double declining balance accelerated depreciation for federal income tax purposes.⁸ Assuming that \$2 billion is the full cost of Iberdrola-owned “wind farms,” the following amounts would be deducted from Iberdrola’s otherwise taxable income and further reduce Iberdrola’s federal income tax liability; specifically:

Tax Year	Deduction from taxable income		Further reduction in federal income tax liability (in addition to PTC)
	% of Capital investment	Amount	
1 st	20%	\$400,000,000	\$140,000,000
2 nd	32%	\$640,000,000	\$224,000,000
3 rd	19.2%	\$384,000,000	\$134,400,000
4 th	11.52%	\$230,400,000	\$ 80,640,000
5 th	11.52%	\$230,400,000	\$ 80,640,000
6 th	<u>5.76%</u>	<u>\$115,200,000</u>	<u>\$ 40,320,000</u>
Totals	100%	\$2,000,000,000	\$700,000,000

Note that these deductions from otherwise taxable income and from federal income tax liability could be taken regardless of whether the “wind farm” investment is financed with debt or equity.⁹ So, if Iberdrola were to put up only \$2 billion and borrow another \$2 billion, the deductions from income and reduced tax liability would be double the amounts shown.

Note also that, in addition to the further reduction in tax liability, this generous accelerated depreciation deduction for federal income tax purposes has two other huge benefits; specifically:

- a. Prompt recovery of Iberdrola’s equity investment. The example above, conservatively assumes that the entire “wind farm” capital investment would be equity, rather than debt. If the equity investment was only half the capital cost and the remainder borrowed, (i.e., \$1 billion), the table above shows that Iberdrola would recover through depreciation deductions all of its equity investment in less than 2 years and in just over 1 year if the project(s) begin operation late in the first tax year. With no remaining *equity* investment, Iberdrola’s return on equity would be infinite.
- b. A large interest free loan. The depreciation deduction continues even though all equity has been recovered. Thus, Iberdrola would, in effect, be receiving an interest free loan, courtesy of US taxpayers for an amount equal to the debt financing.

If Iberdrola were unable to use all the tax deductions – which may be the case, schemes are available to “sell” tax credits to other firms that have tax liabilities that they wish to avoid.

3. Avoiding New York Corporate Franchise Taxes. Tax breaks for “wind farms” are not limited to those provided by the federal government. New York State also allows a corporation to take advantage of 5-year double declining balance accelerated depreciation deductions from otherwise taxable New York income. Therefore, Iberdrola would be able to take deductions like those shown above when calculating its New York corporate tax liability.¹⁰ Assuming a 6.5% tax rate the deductions from taxable income and reductions in Iberdrola’s New York tax liability would be as follows:

Tax Year	Deduction from taxable income		Reduction in New York Corporate tax liability (assuming 6.5% rate)
	% of Capital investment	Amount	
1 st	20%	\$400,000,000	\$26,000,000
2 nd	32%	\$640,000,000	\$41,600,000
3 rd	19.2%	\$384,000,000	\$24,960,000
4 th	11.52%	\$230,400,000	\$14,976,000
5 th	11.52%	\$230,400,000	\$14,976,000
6 th	<u>5.76%</u>	<u>\$115,200,000</u>	<u>\$7,488,000</u>
Totals	100%	\$2,000,000,000	\$130,000,000

4. Subsidy Payments from NYSEERDA to “Wind Farm” owners. Under rules issued by the NYS Public Service Commission (NYS PSC), customers of New York’s investor owned utilities are assessed a charge (added to monthly electric bills) that provides the funds used by NYSEERDA to provide subsidies to producers of electricity from “renewable” energy. In April 2007, NYS PSC and NYSEERDA announced selection of 9 proposed “wind farms” owned by three companies to receive payments from NYSEERDA over 10 years. The awards averaged \$15 per megawatt-hour (MWh) of electric produced – which is equal to \$0.015

cents per kWh. The awards are said to purchase the “environmental attributes” of the wind-generated electricity.

If Iberdrola’s propose “wind farms” were to receive similar NYSERDA subsidies, the potential income, based on the conservative assumptions outlined earlier, would be \$39,420,000 per year and \$394,420,000 over 10 years.¹¹

5. New York’s Renewable Portfolio Standard (RPS). In addition to the above tax breaks and subsidies, New York has virtually assured big profits for “wind farm” owners by requiring that a growing percentage of the electricity sold in New York must come from “renewable” energy, which, in New York is expected to be mostly from wind. By dictating that a large portion of electricity must be produced from “renewable” energy, owners of facilities that produce electricity from wind and other “renewables” are likely to be able to demand higher prices for their electricity than would be paid under normal market conditions. The higher costs of electricity from renewables that electric distribution companies are forced to pay are passed along to electric customers in their monthly bills – along with the PSC’s “surcharge.”
6. Other Tax Breaks and Subsidies. “Wind Farms” enjoy a variety of other federal and state financial, market and regulatory subsidies. For example, in New York, “wind farms” are eligible for exemption from property taxes.

Why are NY political, business, labor and media leaders urging the NYS PSC to override the PSC Staff’s recommendations and the Administrative Law Judge’s Decision?

The list of political, business, labor and media officials that have publicly urged the members of the NYS PSC to override its staff and ALJ Rafael Epstein includes NY Governor David Paterson,¹² US Senator Charles Schumer,¹³ NY State Senators Joe Bruno,¹⁴ James Alesi and George Maziarz, NY Assemblyman Joseph Morelle, Kenneth Adams, president and CEO of the Business Council of New York State, and Brian McMahon, executive director of the New York State Economic Development Council,¹⁵ leaders of Business organizations such as the Rochester Business Alliance,¹⁶ and officials of the Greater Rochester Enterprise;¹⁷ and NY newspaper editorial writers (e.g., Schenectady NY Daily Gazette¹⁸); New York State Laborers’ Union.¹⁹

When considering the serious implications of Iberdrola’s insistence on a right to own “wind farms,” the truly puzzling question is:

Why are New York “leaders” favoring the interests of Spain-based Iberdrola over the interests of New York’s taxpayers, electric customers, and economy?

Sadly, the most likely answers to the puzzling question do not reflect favorably on NY leaders who are working on behalf of Iberdrola. To illustrate, perhaps the answers are that:

1. **Leaders really don’t understand the extent or implication of available tax breaks and subsidies.** Those who follow the workings of federal and state governments now recognize that political leaders often do not understand the implications of the policies, tax breaks and subsidies that they enact. Apparently this is true for New York’s leaders in the case of the

huge tax breaks and subsidies that wind industry lobbyists and other wind energy advocates have pushed through the federal and state legislatures and regulatory bodies.

2. **Leaders have been misled by false and misleading claims about wind energy.** For more than a decade the wind industry and other wind energy advocates have greatly overstated the environmental, energy and economic benefits of wind energy, and greatly under stated the adverse environmental, economic, scenic and property value impacts. Clearly, the public, media and government officials have been misled about wind energy.

Only during the last 3 or 4 years have the facts about wind energy been uncovered. The media has only begun to understand and report these facts. Unfortunately, there is always a delay before the facts begin to penetrate the thinking and actions of legislators and other government officials so it is not unusual for political leaders to continue taking positions that are not in the public interest, and harmful to a state's taxpayers, consumers and economy long after the negative effects have been identified.

3. **Campaign contributions, advertising revenue, and member dues for business associations are taking precedence over the interests of ordinary taxpayers and electric customers.** Clearly, the wind industry has enormous financial capability to pay for intensive lobbying of federal, state and local officials, providing campaign contributions, paying for advertising in "friendly" newspapers, and paying dues to associations that lobby on behalf of wind industry interests. Also, it appears that some "environmental" advocacy groups receive substantial contributions from organizations in the wind industry and work to promote wind industry interests. It would be truly surprising if these factors did NOT explain the positions taken by *some* NY political and business leaders in the Iberdrola situation.

4. **Exaggerated claims of economic benefits and jobs from "wind farms" are being believed.** Wind industry officials and other advocates (including some New York State and federal agencies) often exaggerate the local and state economic benefits and jobs that would result from "wind farms."²⁰ Exaggerated claims are often the result of failure to recognize or acknowledge that :

- a. The overwhelming share of capital costs of a "wind farm" are for turbines, blades and other equipment that is produced elsewhere, often outside the US, thus providing no local or state economic benefits.
- b. Few of the jobs during "wind farm" construction are filled from local sources. Instead, some 80% of the jobs (particularly the higher paying ones) are often filled by workers brought in temporarily. Also, failure to recognize (i) that "wind farm" construction time is only a few months, and (ii) the "imported" workers probably pay taxes in their home states, not in the state where the "wind farm" is located.
- c. Few of the materials and supplies for "wind farms" are purchased locally and, for those purchased locally, only the local "value added" locally will contribute local economic benefit – not the total price of the materials or supplies as wind advocates assume.

d. Economic benefit from rental payments received by land owners are tiny compared to the higher costs of electricity that are borne by electric customers. Higher electric bills – including the portion added by the NYS PSC to pay for NYSEERDA subsidies to “wind farm” owners mean that electric customers have less money to spend locally; e.g., for food, shelter, clothing, health care, education, recreation and other things that help the local economy.

5. **Leaders still do not understand that wind turbines cannot provide the reliable generating capacity that is needed in New York to satisfy growing in peak electricity demand or replace older generating units.**²¹ Because wind turbines produce electricity only when the wind is blowing within certain speed ranges (start up around 6 mph, reach rated capacity around 32 mph, and cut out around 56 mph), the electricity they produce is inherently intermittent, volatile and unreliable. Furthermore, wind turbines are most likely to produce electricity at night in colder months, not on hot weekday late afternoons in July and August when electricity demand reaches peak levels.

Experience in New York, California and Texas, for example, demonstrate that wind turbines may produce well under 10% and often 0% of their rated capacity when electricity demand is at its peak. Therefore, areas experiencing peak demand growth or needing to replace older generating plants will have to add reliable (“dispatchable”) generating capacity whether or not “wind farms” are built. In fact, wind turbines have little or no *real* capacity value.

6. **Leaders do not understand the full, true costs of wind energy and believe, incorrectly, that wind energy is environmentally benign.** Wind energy advocates greatly understate the true costs of electricity from wind energy. Typically they ignore the huge cost of tax breaks and subsidies (only a few have been mentioned above), the need to provide back-up generating capacity because electricity from wind is intermittent, volatile and unreliable, or the adverse environmental, economic, scenic and property value impacts. Evidence of these adverse effects continues to mount (e.g., bird and bat kills, habitat destruction, noise) and is even finding its way into the news media. Claims of environmental benefits are overstated.

Conclusion

The people of New York – particularly the taxpayers and electric customers who are already overburdened with high taxes and high electric bills – do not deserve to pay more while “wind farm” owners avoid taxation, add to electric bills or impair the environment. Those who would be forced to live with “wind farms” do not deserve to have scenic vistas or their property values impaired.

New York political, business, labor, and media leaders need to be more responsive to the people of New York and the state’s economy than to the desires of Spain-based Iberdrola.

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Endnotes:

¹ New York State Electric & Gas (NYSEG) and Rochester Gas & Electric (RG&E) in NY, Central Maine Power in ME, Berkshire Gas in MA, Southern Connecticut Gas Co. in CT, etc.

² Stinson, Jim, "Iberdrola releases earnings, repeats stance on Energy East bid," Rochester Democrat & Chronicle, July 24, 2008.

³ Many of the facts about the true costs and benefits of wind energy that have been uncovered during the past 4 years have not yet found their way into the news media or into the perceptions of political leaders or the general public.

⁴ http://library.corporate-ir.net/library/10/104/104038/items/285227/EAS_2007_annualreport.pdf - Energy East's 2007 Annual Report, page 16.

⁵ Thus far, it isn't totally clear whether Iberdrola intends a TOTAL "wind farm" investment in NY of \$2 billion or whether the \$2 billion would be Iberdrola's equity and the remainder would be financed with debt (i.e., borrowing).

⁶ http://www.iberdrolarenovables.es/wc/en/corporativa/iberdrola?IDPAG=ENMODULO PRENSA&URLPAG=/gc/en/comunicacion/notasprensa/080509_NP_General_Electric.html

⁷ Assuming a 30% capacity factor, 1,000 MW of wind capacity would produce about 2,628,000,000 kWh of electricity per year or 26,280,000,000 kWh during the first 10 years of operation. At \$0.02 per kWh, the tax credit over 10 years would be \$525,600,000.

⁸ Referred to by the IRS as Modified Accelerated Cost Recovery System (MACRS). See IRS Publication 946.

⁹ Note also that the US Congress, in the Economic Stimulus Act of 2008, added a 50% 1st year "bonus" deduction from federal taxable income for 2008 investments. The effect of this additional "bonus" would permit "wind farm" owners to deduct 60% in the 1st, 16% in the 2nd, 9.6% in the 3rd, 5.76% in the 4th and 5th and 2.88% in the 6th tax years for federal corporate income tax purposes.

¹⁰ See New York State instructions for corporate taxes, particularly Forms CT-3 and CT-399

http://www.tax.state.ny.us/forms/corp_genl_forms.htm

¹¹ As in previous calculations, this assumes that the capacity of the Iberdrola-owned "wind farms" would be 1,000 MW and that they would produce electricity at an annual capacity factor of 30%; i.e., 2,628,000,000 kWh per year or 26,280,000,000 kWh over 10 years.

¹² <http://timesunion.com/ASPStories/Story.asp?StoryID=706485&LinkFrom=RSS>

¹³ http://www.syracuse.com/news/index.ssf/2008/06/judge_recommends_state_psc_rej.html

¹⁴ <http://www.rochestercitynewspaper.com/news/articles/ENERGY:+Politicians+intervene+in+Iberdrola+merger/comments/>

¹⁵ <http://jamesalesi.net/55/news.aspx?nid=17874>

¹⁶ <http://www.rochestercitynewspaper.com/news/articles/ENERGY:+Politicians+intervene+in+Iberdrola+merger/comments/>

¹⁷ <http://www.rochestercitynewspaper.com/news/articles/ENERGY:+Politicians+intervene+in+Iberdrola+merger/comments/>

¹⁸ http://www.dailygazette.com/news/2008/jul/14/0714_edit2/

¹⁹ <http://www.democratandchronicle.com/apps/pbcs.dll/article?AID=/20080717/BUSINESS/807170331/1001>

²⁰ Details can be found in, "Errors and Excesses in the NREL's JEDI-WIM Model that Provides Estimates of the State or Local Economic Impact of "Wind Farms," April 28, 2004. <http://www.windaction.org/documents/104>.

²¹ For more information on this problem in NY, see <http://www.wind-watch.org/documents/evaluation-of-new-york-energy-plans-announced-april-2007/>