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October 24, 2011

VIA MESSENGER & E-MAIL

Honesto Gatchalian and Maria Salinas
CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94012
inj@cpuc.ca.gov; mas@cpuc.ca.gov

Re: Protest of SDG&E Advice Letter 2247-E-A

Dear Mr. Gatchalian and Ms. Salinas:

We submit this protest of SDG&E's Advice Letter 2247-E-A on behalf of The Utility Reform Network ("TURN"), the State Building and Construction Trades Council of California, the International Brotherhood of Electrical Workers Ninth District, and IBEW Local 569. The Advice Letter requests approval of a 20 year Power Purchase Agreement between SDG&E and its affiliate, Energía Sierra Juárez U.S., LLC ("ESJ") for a wind generating facility that would be constructed in northern Mexico. The Advice Letter presents an amendment to the PPA originally proposed in Advice Letter 2247-E. According to SDG&E, the amendment accelerates the guaranteed online date and reduces the price.

The PPA should not be approved for three reasons, each of which is related to the PPA's amended terms: (1) price; (2) viability; and (3) the employment impacts on the United States.

I. THE PROTESTANTS

TURN is California's leading organization advocating on behalf of utility ratepayers.

The State Building and Construction Trades Council of California is the umbrella organization for 350,000 construction workers in this state.

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The International Brotherhood of Electrical Workers has 700,000 members in the United States. The Ninth District of the IBEW has 124,000 members in California, Washington, Oregon, Nevada, Alaska and Hawaii. IBEW Local 569 has 2,200 members in San Diego and Imperial Counties.

II. THE REVISED PPA PRICE IS NOT LEAST-COST BEST-FIT

According to the Advice Letter, the amendment to the PPA reduces the contract costs to ratepayers for the output of the ESJ Project.

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III. THE ESJ PROJECT IS NOT VIABLE

Since the original Advice Letter was filed with the Commission, there have been several developments that raise substantial doubt about the viability of the ESJ Project. According to SDG&E's Advice Letter, the ESJ Project would interconnect through SDG&E's proposed East County Substation ("ECO Substation"). Although not described in SDG&E's Advice Letter, the ESJ Project is linked by a new transmission line to deliver the output of the ESJ Project from Mexico to California. That new transmission line is the Energía Sierra Juárez Transmission Line ("ESJ Gen Tie"), proposed by SDG&E's affiliate, Energía Sierra Juárez, U.S., LLC. The ESJ Gen Tie not been permitted, and it is highly uncertain when and if it will ever be permitted or built.

The Commission issued a final environmental document evaluating the ECO Substation, pursuant to the California Environmental Quality Act, on October 14, 2011. A proposed decision on SDG&E's application for the ECO Substation is not expected until December or mid-January of next year, with a final decision to follow in late February, if not later. Community opposition and subsequent litigation may substantially delay the ESJ Gen Tie.

Perhaps more importantly, the cross border ESJ Gen Tie requires a "Presidential permit" currently being considered by the Department of Energy. The potential Presidential permit has generated major opposition. Critical comments on the NEPA document for the Gen Tie were submitted by environmental and labor

groups, as well as southern California officials.⁵ Again, litigation regarding the ESJ Gen Tie is quite foreseeable.

The political opposition to the ESJ Gen Tie is also quite substantial and may affect its ultimate fate. Last month, the California Legislature adopted Senate Joint Resolution 13 urging the Secretary of the US Department of Energy to deny the application for the Presidential Permit. SJR 13 provides as follows:

WHEREAS, Cross-border transmission lines between California and Mexico would facilitate the exportation of American jobs by enabling energy companies to import electricity into the United States instead of building energy projects here, where the energy is being used, and thereby move our economy in the wrong direction at a time when we should be putting Americans back to work; and

WHEREAS, The Obama administration has emphasized the need for our nation to reduce our dependence on imported energy because our nation's economic future and security depend on developing energy infrastructure within our own borders; and

WHEREAS, A core component of President Obama's electoral campaign was his commitment to a green energy economy, which would usher in a period of environmental advancement and economic prosperity; and

WHEREAS, Constructing cross-border transmission lines would undermine the President's vision by enabling energy companies to deliver electricity to the United States from foreign facilities not built to American labor or environmental standards; and

WHEREAS, If we are to reclaim America's middle class, our nation must eliminate opportunities for corporations to export jobs, exploit workers, or raid natural resources; now, therefore, be it

Resolved by the Senate and the Assembly of the State of California, jointly,

⁵ See http://esjprojecteis.org/deis_comments.htm.

That the Legislature, to preserve jobs in California, promote energy independence, and uphold California's exemplary labor and environmental laws, calls upon the Secretary of the United States Department of Energy to reject Sempra Energy's application for a Presidential permit to construct the Energía Sierra Juárez cross border transmission line between Mexico and San Diego County, California....

Sempra's proposed ESJ Gen Tie is firmly opposed by California stakeholders, including labor, conservation groups, and California citizens that will be directly impacted by the Project's significant adverse economic and environmental impacts on California.

Labor opposes to the ESJ Gen Tie because the Project undermines President Obama's efforts to create quality jobs and reduce U.S. unemployment, exports construction jobs from the U.S. to Mexico, increases U.S. dependence on foreign energy, and undermines U.S. environmental and labor laws. Each of the following unions submitted written comments to State and Federal regulators expressing their opposition to the ESJ Gen Tie:

1. The California State Building Construction Trades Council;
2. The American Federation of Teachers Guild;
3. The San Diego Imperial Counties Labor Council;
4. The Laborers International Union of North America, Local 89;
5. Painters & Allied Trades District Council 36, the International Brotherhood of Electrical Workers and IBEW Local 357;
6. The South Bay AFL-CIO Labor Council;
7. The San Diego County Building & Construction Trades Council;
8. The California State Association of Electrical Workers; and
9. The Utility Workers Union of America, AFL-CIO.

We attach their comments for your consideration.

Conservation groups oppose the ESJ Gen Tie because the Project will result in the avoidable destruction of desert ecosystems and special status species, significantly increase fire risk in underserved rural communities, and will contribute to blight and urban decay in depressed parts of Imperial County and San Diego County. We attach for your consideration the opposition letters submitted to Federal and State regulators by the San Diego Audubon Society, citizen groups such as the Desert Protective Council, the Protect our Communities Foundation, East County Community Action Coalition, and the San Diego Rural Fire Protection District.

Finally, environmental justice groups oppose the ESJ Gen Tie because Sempra's Project will displace renewable energy development in Imperial County and prevent local communities of color and low-income communities from reaping the environmental and economic co-benefits of a local clean energy sector. We attach their opposition letters to State and Federal regulators.

If the Secretary of the Department of Energy denies the Presidential permit, as requested by the California Legislature and California stakeholders, the ESJ Project will not be able to directly deliver its energy to California, and the PPA will be worthless to California ratepayers.

IV. SB(1X) 2 WILL REQUIRE THE COMMISSION TO CONSIDER EMPLOYMENT IMPACTS IN THE LEAST-COST BEST-FIT ANALYSIS, AND THE ESJ PROJECT FAILS THIS TEST IN SPECTACULAR FASHION

In April 2011, the California Legislature increased the RPS requirement from 20 percent to 33 percent by the year 2020. Under the new RPS Program, the Commission will be required to ensure that the retail sellers select the least-cost and best-fit eligible renewable resources to meet their compliance obligations.⁶ SB(1x)2 requires the least-cost and best-fit analysis to consider workforce recruitment, training, and retention opportunities for women and minorities, and employment growth from construction and operation of renewable resources.⁷ SDG&E's proposed PPA is not least-cost best-fit. In fact, SDG&E's plan to import renewable energy from Mexico guarantees that California ratepayers will pay an unjust and unreasonable premium for this renewable generation.

⁶ Cal. Pub. Util. Code § 399.13 subd. (a).

⁷ Cal. Pub. Util. Code § 399.13 subd. (a)(4)(A)(iv).

California's demand for renewable energy is finite: if we buy it from foreign sources, it will not be built here. The ESJ Wind PPA is the anchor tenant for 1250 MW of wind generation that would be transmitted from Mexico to the United States over the proposed ESJ Gen Tie. As shown by economist and construction labor markets expert Dr. Peter Philips in the attached report entitled *Should Green Jobs Be Outsourced? A Case Study of Lost Jobs and Lost Opportunities*, importing this energy from Mexico as proposed by SDG&E is a guarantee that thousands of green energy construction jobs and workforce training opportunities will never materialize in this country.

The report's key findings are:

- ➔ If developed in the United States, this renewable generation capacity would create new good jobs and apprenticeship training opportunities for Imperial County young people, the majority of whom come from low-income communities and communities of color;
- ➔ If built in the United States, this renewable generation capacity would allow U.S. workers, and most likely, Imperial County workers, to more than double their household income;
- ➔ Outsourcing this renewable generation would displace **3,000 direct clean energy construction** jobs in the United States;
- ➔ The United States (counting California) would lose almost **15,000 new jobs overall**, with half of that overall job loss coming from lost consumer demand, a 30% from lost producer demand and 20% from the lost direct construction jobs themselves; and
- ➔ These job losses imply a loss of **\$550 million** in lost earnings nationwide.

SDG&E's plan to import energy from Mexico saddles California ratepayers with energy rates that are unreasonable because the intrinsic economic value of domestic development is lost when that energy is outsourced. The Project does nothing to help communities afflicted by high unemployment. In fact, the Project eliminates job growth opportunities where they are most needed.

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The Commission should reject SDG&E's Advice Letter because the price is too high, the project is not viable and the employment impacts on the United States make the PPA not worth the money.

Sincerely,

/s/

Marc D. Joseph

MDJ:vs

cc: Megan Caulson, SDG&E

Attachment 1 – Public Comments on the ESJ Gen Tie Project

Attachment 2 – Peter Philips, *Should Green Jobs Be Outsourced? A Case Study of Lost Jobs and Lost Opportunities*