

Hearing on the Power Plant Proposed by Sempra Energy

Statement of Peter H. Michael to the Board of County Commissioners of Frederick County

May 27, 2004

Introduction

Good morning. My name is Peter Michael with Michael Strategic Analysis. The firm and I relocated to Frederick County this year, and are glad to be here.

Bona Fides

Michael Strategic Analysis provides expert witness testimony on economic damages, and when the Duke power plant was proposed for Frederick County two years ago, we performed the economic impact analysis which was used by the governor's Cabinet Power Plant Task Force when it rewrote Maryland's power plant siting criteria at that time.

Sempra Analysis in 2002 Showed Possible Net Negative Economic Impact of \$18 Million

In that analysis, we also determined the economic impact of the three other power plants proposed for or near Frederick County at the time: those by Dynegy, Mirant and the same Sempra plant now proposed for the Eastalco site. In our analysis of Sempra two years ago, we determined that the net economic impact of the proposed plant was a negative \$18 million, and that at least 15 types of economic damages, not counting economic damages to the environment, would result if the plant were built. Our report was furnished to Sempra.

Property Values Have Risen Since January, 2002, and the County Has Authorized Ausherman Development to Sell 763 Home Lots

Since 2002, several factors, two in particular, have changed, resulting in a situation in which, if the plant were authorized today, even higher net economic damages would result. The two most important changes are the substantial increase in home values since 2002, and the County's authorization to Ausherman Development Corporation for 763 new homes at the intersection of Ballenger Creek Pike and Elmer Derr Road. About a third of these newly authorized home sites are within what is called the zone of influence of the Sempra site, raising the number of homes and home sites in the zone of influence to about 966 from 2002's 712 homes. These 966 homes amount to roughly 3000 people and 2000 voters.

2004 Economic Impact Is Negative Much Higher Than Before

Our preliminary analysis of the current economic impact of the proposed Sempra plant determines an overall economic impact of a negative \$30 million compared to the \$18 million of 2002. This stems from estimated economic benefits of \$93 million, and estimated economic damages of \$123 million. I emphasize that these are estimates in what is still a preliminary analysis. Even if the Ausherman development had not been authorized, the net economic impact today would be a negative \$27 million. About 76 percent of the economic

damages would be borne by the 900 to 1000 households in the Sempra zone of influence. This would be an average loss of over \$12,000 per household in the zone of influence.

Time Long Past When Industrial Development Could be Justified For This Area

The essence of this analysis simply corroborates common sense and what all of you have seen driving through the area around the proposed power plant site: that this area is now too populous to locate a large industrial disamenity such as a power plant. Thirty years ago when Eastalco was permitted to build its smelter, that area was still sparsely populated farm land, but today, it has grown in the number of homes, and continues to grow according to the regional plan authorized by the county. As far as this board's decision goes, it is fair to say that the Board can designate the area for new homes, as it has, or designate it for industrial growth, but not both because one causes severe economic damages to the other.

Property Owners Compensated If Necessary

If this plant should be authorized by the Public Service Commission, the PSC needs to understand what nearby homeowners already do which is that their economic damages will have to be compensated. By the time the plant is built, this would amount to about \$14,000 per household, some number of whom would choose to move. Nationwide, we now see courts and juries quite willingly compensate victims of economic damages, especially knowing economic damages. As Duke attempted to do in 2002, Sempra at its recent community meeting, at which two Commissioners were present, stated flatly that economic damages would not result from this proposed power plant. Any energy company knows outright that this is not true, and Sempra's statement to this effect is patently misleading.

I note also that in this board's meeting of June 5, 2001, Commissioner Rhoderick noted that the County has on file a written statement from Eastalco stating that "Eastalco's land is not available for industrial use." The record shows that an Eastalco representative present that day agreed.

The responsible and safe course for the Board is to oppose the building of this proposed plant in the Board's recommendations to the Maryland Public Service Commission. There is no reason for the county or the Board to want this plant, and we urge you formally to oppose it to the Public Service Commission. Thank you.

Types of Economic Damages

- 1 Property Values
- 2 Property Income
- 3 Development Property Values
- 4 Income of Businesses
- 5 Value of Businesses
- 6 County Property Tax Revenues
- 7 State Property Tax Revenues
- 8 Investment Funding
- 9 Investment Income
- 10 Retirement Income
- 11 Commission Income
- 12 Interest Income
- 13 Losses Imposed By Lenders
- 14 Farm Land Out of Production
- 15 Blight Begetting Further Blight