

Mesaba Energy Project, PUC Docket No. E6472/GS-06-668

**DOE Draft EIS for the Mesaba Energy Project (DOE/EIS-0382D)
Comments on Draft EIS**

Submitted by: Citizens Against the Mesaba Project

Department of Energy bias:

CAMP respectfully suggests that the Department of Energy's (DOE) involvement in the EIS is biased and therefore the EIS cannot be relied upon as an objective analysis of the Mesaba Project's environmental impact.

The DOE has openly and publicly supported the Mesaba Energy Project on several occasions through different media sources. It is stated in the EIS in the Summary Section, DOE Purpose and Need; "DOE's purpose in considering the Proposed Action (to provide cost-shared funding) is to meet the goal of the CCPI Program (NETL, 2006b) by demonstrating the commercial readiness of the Conoco-Phillips E-Gas™ gasification technology in a fully integrated and quintessential IGCC utility-scale application. The principal need addressed by DOE's Proposed Action is to accelerate the commercialization of clean coal technologies that achieve greater efficiencies, environmental performance, and cost-competitiveness."

It has also supported the project with \$36 million of public money as stated in Section 2.1.1.1 of the draft EIS. The DOE also remarks that it may continue to support the project through a federal loan guarantee program.

The Department of Energy has shown considerable bias toward the Mesaba Project and has ignored citizen and other governmental agency comments and concerns regarding the environmental impact. In the interest of moral responsibility to the citizens of this community and beyond, the Draft EIS should be disregarded in its entirety. A new document needs to be established without the biased influence of the DOE in order to adequately and objectively assess the environmental impact of the Mesaba Project.

DEIS inadequacy by excluding citizen and other governmental agency expert comments:

With respect to Minnesota Rule 7849.5220 Subpart 3. E. "a description of the effects of the facility on the natural environment, including effects on air and water quality resources and flora and fauna."

It is clear throughout the EIS most of the disseminating information that was considered came from Excelsior Energy's Joint Permit Application and other agencies information such as the Minnesota Pollution Control Agency were ignored. The MPCA, MN Dept. of Health, Army Corps of Engineers and highly educated citizens submitted comments and suggestions that were not considered or included in this study. The Department of Energy and Minnesota Department of Commerce have a public duty to examine and consider all comments and suggestions put forward to come to unbiased conclusions in the EIS.

Mesaba Project should not qualify for Clean Coal Power Initiative:

In section 1.2 CCPI of the draft Environmental Impact Statement (EIS) one of the bulleted items to qualify for the Clean Coal Power Initiative (CCPI) is the Global Climate Change Initiative to cut greenhouse gas intensity 18 percent by the year 2012.

With the Department of Energy (DOE) readily acknowledging global warming issues and also acknowledging in Appendix A2 of the EIS that Carbon Capture and Sequestration (CCS) is not feasible for the Mesaba Energy Project (MEP), how can the MEP qualify as part of the CCPI program? And therefore how can the DOE justify providing \$36 million in support of the program?

In the same section the DOE mentions aging power generating facilities that will have to be replaced. Yet nowhere in the EIS does it state what facilities will be shut down to validate the construction of the MEP. What power generating facilities will be shut down as suggested in section 1.2 of the EIS?

Plain and objective language (Minnesota Rule 7849.5300)

In the case of Minnesota Rule 7849.5300 Subpart 6. "Draft EIS. The draft environmental impact statement must be written in plain and objective language..."

It can be argued that the EIS was not written in plain and objective language. The language in the DEIS is not objective, conclusions are drawn with no information/data as to how the conclusions were reached, much of the document is vague with respect to how the Mesaba Project might expected to obtain environmental permits. This document is difficult if not impossible for environmental experts to decipher, and serves to further obfuscate and detract from the true intent and purpose of an environmental impact statement.

Certificate of Need:

Both the Department of Energy (DOE) and MN Department of Commerce (MDOC) have remarked in the draft EIS that Certificate of Need (CON) comments were not included because of the legislation passed (Minn. Stat. § 216B.1694) exempting the

Mesaba Energy Project (MEP) from the CON. Yet Excelsior Energy is allowed to exert its claim for the need of 3000 to 6000 Mw of base-load power by 2015.

Why the double standard? CAMP submits that since the MEP has been exempted from the CON that the issue needs to be fully addressed according to Minnesota Ruling (MR) 7849.5300 Subpart 5. It states; “Matters excluded. When the Public Utilities Commission has issued a Certificate of Need for a large electric power generating plant or high voltage transmission line or placed a high voltage transmission line on the certified HVTL list maintained by the commission, the environmental impact statement shall not address questions of need, including size, type, and timing; questions of alternative system configurations; or questions of voltage.”

Therefore, since the MPUC has not issued a CON, it can be argued according to MR 7849.5300 Subpart 5, that Excelsior Energy should be required to proceed with the CON regulatory process, or at the very least, the DEIS should clearly evaluate “questions of need, including size, type, and timing; questions of alternative system configurations; or questions of voltage.”

Canisteo water, recreation, and municipal aquifer risk.

The Canisteo Mine Pit (CMP) is considered a national recreational attraction that includes, but is not limited to, a major trout fishery. The Minnesota DNR manages only 4 lake trout fisheries in the entire state. The CMP is one of these trout lakes and is highly valued because of this. Nowhere does the DEIS discuss how closing the CMP, (Excelsior Energy’s intentions), will affect tourism revenues brought into the area (See separate document for details of revenue loss). The DEIS inadequately addresses the inherent danger of ground water and lake contamination by the planned concentrated water discharges, coal storage, etc. of the Mesaba Energy Project (MEP)*.

Minnesota Rule 7849.5220 Subpart 3. F. “a description of the effects of the facility on rare and unique natural resources”requires that this assessment take place. These two very important considerations need to be re-examined to determine the true effects of the MEP on water quality, especially as it related to the CMP trout fishery, municipal drinking water for Coleraine and Bovey, and the possible effects on Trout Lake.

Submitted documentation regarding municipal aquifer risk:

***Wellhead Protection Plan, Part I; Wellhead Protection Area Delineation, Drinking Water Supply Management Area Delineation, Well and Aquifer Vulnerability Assessment For The City of Bovey, February 8, 2007; James F. Walsh, Minnesota Department of Health**

and

Wellhead Protection Plan, Part I; Wellhead Protection Area Delineation, Drinking Water Supply Management Area Delineation, Well and Aquifer Vulnerability Assessment For The City of Coleraine, February 12, 2007; James F. Walsh, Minnesota Department of Health

Need for Cost Analysis:

This comments is in regard to the criteria specified in “Minnesota Rule (MR) 7849.5220 Subpart 1. H. a cost analysis of the large electric power generating plant at each proposed site, including the costs of constructing and operating the facility that are dependent on design and site; Subpart 2. K. cost analysis of each route, including the costs of constructing, operating, and maintaining the high voltage transmission line that are dependent on design and route; Subpart 3. B. a description of the effects of construction and operation of the facility on human settlement, including, but not limited to, public health and safety, displacement, noise, aesthetics, socioeconomic impacts, cultural values, recreation, and public services; and Subpart 3. C. a description of the effects of the facility on land-based economies, including, but not limited to, agriculture, forestry, tourism, and mining.”

Each one of the above mentioned rulings pertain to a “cost analysis” being completed to satisfy requirements of an EIS. There has been no such study performed to date.

The University of Minnesota – Duluth, Labovitz School of Business and Economics (LSBE), Bureau of Business and Economic Research, completed an “economic benefit” study. The research report is titled “The Economic Impact of Construction and Operating An Integrated Gasification Combined Cycle Power-Generation Facility on Itasca County” and was develop for the Itasca Development Corporation.

In the very first paragraph of the Executive Summary it states; “Mesaba One will be a privately funded power-generation facility...” To date no private investors have been found and several million dollars of public money has been used to develop the Mesaba Energy Project (MEP). Excelsior Energy’s MEP has been selected to apply for federal loan guarantees up to \$800 million, again “public dollars” not private investment. In addition Excelsior Energy has been granted tax-free incentives.

It is noted in the second paragraph Executive Summary “For this county-level model, Excelsior was not able to quantify what will actually be exclusively spent in Itasca County.”

The very next paragraph acknowledges several inadequacies of the study; “IMPLAN modeling issues associated with small study areas like county-level

impacts, as noted in the IMPLAN User's Guide, 2 include the following: A small area will have a high level of leakage. Leakages are any payments made to imports or value added sectors, which do not in turn re-spend the dollars within the region. Also important to consider: A study area that is actually part of a larger functional economic region will likely miss important backward linkages. For example, linkages with the labor force may be missing. Workers who live and spend outside the study area may actually hold local jobs."

The very last paragraph on page 13 states; "Readers are also encouraged to remember the BBER was asked to supply an economic impact analysis only. Any subsequent policy recommendations should be based on the "big picture" of total impact. A cost-benefit analysis would be needed to assess the environmental, social, and governmental impacts."

Despite the cautions cited, many governmental agencies were misled by the study with information that was supplied by Excelsior Energy, including the Minnesota Department of Commerce (MDOC) and the Department of Energy (DOE) when drafting the EIS.

MR 7849.5220 clearly states in several subparts that a "cost analysis" is required in determining outcomes for the EIS. It is also clear that the MDOC and DOE have not adequately addressed the issues pertaining to MR 7849.5220 above-mentioned subparts because no cost benefit analysis has been conducted. The DEIS goes into great detail with regard to the IMPLAN economic analysis. No cost analysis has been performed. (See also CAMP's "Economics of the Mesaba Energy Project".

It is not unreasonable to request that a cost analysis for the MEP to be included in the EIS. The Minnesota Rule requires that a cost analysis be performed. Public comments have requested a cost analysis, and CAMP has submitted a detailed analysis/rebuttal refuting the economic impact analysis study paid for by Excelsior. It is clear that these comments were ignored, but it is also clear that a cost analysis must be conducted according to MR 7849.5220.

The Cost of Coal:

It is stated in the EIS in the Summary Section, DOE Purpose and Need; "IGCC technology meets the goals of the CCPI by utilizing an estimated 240-year domestic supply of reliable, low-cost coal in an environmentally acceptable manner."

Throughout the EIS the cost of coal is referred to as "low-cost", "clean", "affordable", "reliable".

The terms used to describe coal in the EIS are inaccurate. The following are just a few examples pertaining to costs of the MEP that are not in the EIS. The costs of health related costs are not included in the total cost per MW and could be attained

by conducting a cost analysis study, which is required by Minnesota Rule 7849.5220. The costs of Carbon Capture and Sequestration (CCS) are not included in the total cost output. This is acknowledged in the EIS Appendix A2. The costs of transmission upgrades by other utilities are not included in the total cost. It has been demonstrated in the MPUC rulings that the cost of energy output by the Mesaba Energy Project (MEP) is not “low-cost”, therefore cannot be deemed “affordable”. Since the MEP is a demonstration project it can hardly be defined as “reliable”.

The DOE also comments on supposed 240-year supply of coal. Not all coal is attainable, and to continue to comment on a long-term coal supply is misleading and inaccurate.

I wish to draw your attention to a study performed by the German research organization Energy Watch group*. Another study completed by the University of Stanford comes to the same conclusions. The results of these studies show that with the attainable coal reserves peaking in 2025, the cost of coal will increase dramatically as coal reserves become harder and harder to attain making the terms “low-cost”, “affordable”, “cheap”, “clean” and other labels that favor the coal industry inaccurate and outright false.

In Appendix A2 the DOE readily admits that the proposed project’s Carbon Capture and Sequestration (CCS) plan is not economically feasible. The DOE states expectations of Integrated Gasification Combined Cycle (IGCC) plants to offer 90% carbon capture with 99% permanent sequestration at less than 10% increase in cost. The cost of electricity from the proposed MEP is currently evaluated at 10-30% higher without CCS. With CCS not only does the cost per kW increase dramatically, the efficiency of the plant is reduced by up to 30%. The DOE’s cost increase expectation of less than 10% with CCS is inaccurate.

The real cost of the MEP needs to be re-examined with the above-mentioned issues.

Certificate of Need:

The MDOC has the legal right to request a Certificate of Need under Minnesota Rule 7849.7080:

7849.7080 APPLICANT ASSISTANCE. “The commissioner of the Department of Commerce may request the applicant for a certificate of need or for certification of a HVTL to assist in the preparation of an environmental report. Upon request, the applicant shall provide in a timely manner any unprivileged data or information to which it has reasonable access and which will aid in the expeditious completion of the environmental report.”

In the interest of the providing a complete report for the Mesaba Energy Project's EIS, the MDOC should request a certificate of need.