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**GAIL WINDPOWER PROJECT**  
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231-882-9626

Dear Pleasanton Residents:

As you probably know, Duke Energy has proposed to construct a wind farm in Benzie and Manistee counties. Clean, renewable energy is both a state and national priority. Duke Energy believes in renewable energy and is ready to invest in this community. The project will provide significant supplemental income to the many participating landowners, tax revenue year after year to Benzie and Manistee counties, near-term construction and long-term operations jobs, and economic activity for local businesses and service providers, all while providing a homegrown source of clean, inexhaustible energy.

I am writing this letter to respond to statements made in an April 8, 2011 letter sent to Pleasanton residents from the "Pleasanton Committee of the Arcadia Wind Study Group." As far as we can tell from that letter, the Pleasanton Committee is made up of thirteen residents. For those of you who are not familiar with the Arcadia Wind Study Group, it is an anti-wind organization that, according to its own website, is "strongly opposed to utility scale wind energy systems" and opposes "any attempt to bring industrial wind power to [Arcadia] township and our region." Given its absolute and unwavering anti-wind position, this small but vocal group has been attempting to persuade you and your neighbors in Benzie and Manistee counties that Duke Energy's proposed project is wrong for the community. The group is working with its lawyers to do everything it can to block the project.

While the Arcadia Wind Study Group's letter says that it includes a "fact sheet" to support its concerns, it unfortunately contains a great deal of fiction.

Given what is at stake for the families in this community and the local economy, it is important that any discussion regarding Duke Energy's project and wind energy be based on facts and reliable information. I do not want to take your time to address everything that the Arcadia Wind Study Group put in its letter, but have tried to address some of the more important issues below. Please feel free to go to our website, [www.duke-energy.com/gailwind/](http://www.duke-energy.com/gailwind/), for additional information. Also, please do not hesitate to contact the Duke Energy staff directly at:

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- 1. The Arcadia Wind Study Group claims that it has a detailed map obtained from the Federal Aviation Administration showing the exact site locations for Duke Energy's proposed wind turbines.**

**Response:** This is incorrect. As part of the wind power project development process, every project developer must submit preliminary information to the FAA in order to receive feedback that will influence the evolving project design. This preliminary information includes a sample wind turbine make and model, as well as *potential* locations for turbines. However, it is just an introductory plan designed to initiate the discussion with the FAA so that the FAA can begin providing input. It does not show where wind turbines will actually be sited, nor does it confirm the turbine makes/models that will be used in the final project design.

Ultimately, Duke Energy will "micro-site" each wind turbine based on a number of factors, including the availability of land, setbacks from residences, roads and property lines, local ordinance requirements, the viewshed, input from government agencies (e.g., the FAA, Michigan Department of Environmental Quality, and the U.S. Fish and Wildlife Service), the potential for shadow flicker, the wind resource, sound contours, and other variables. Near the end of this process, we will withdraw our FAA application and resubmit with updated information for the agency's final review.

So while the Arcadia Wind Study Group continues to assert that the "balloons" on the google map they have circulated represent actual wind turbine locations, they do not.

- 2. The Arcadia Wind Study Group says that turbines should be located at least 1.25 miles from residences to avoid issues associated with noise, vibration, and shadow flicker, and that GE recommends that its turbines be located no closer than 1 mile. The group also advocates a wind ordinance that requires that daytime noise levels not exceed 40 decibels at property lines and that nighttime noise levels not exceed 25 decibels at property lines.**

**Response:** The group's comment about GE's recommendations is unfounded. We have been in contact with GE representatives on this issue. In GE Wind's 2009 document entitled "Setback Considerations for Wind Turbine Siting," GE recommends a setback distance of 1½ times the height of the wind turbine (including the vertical blade) from residences, public roads, railroads, etc. So if Duke Energy, for example, were to use 500 foot wind turbines, GE's recommended setback distance would be 750 feet, not 1 mile. Duke Energy always sites its turbines to meet or exceed all manufacturer's recommendations.

The State of Michigan has published two documents that include setback recommendations: "Michigan Siting Guidelines for Wind Energy Systems," dated March 5, 2007, published by the State of Michigan; and "Michigan Land Use Guidelines for Siting Wind Energy Systems," Extension Bulletin WO-1053, Revised, dated October 2007, published by the Michigan State University Extension. The State recommends a turbine setback from a non-participating parcel equal to the height of the wind turbine plus the vertical blade.

- 4. The Arcadia Wind Study Group says that “independent third party studies report that wind turbines decrease the value of surrounding property from 17-70%.”**

**Response:** While the Arcadia Wind Study Group does not cite the studies that it refers to, numerous studies have found that the group’s assertion is incorrect—that wind turbines have not been found to have a negative effect on property values. In fact, a recent peer-reviewed study conducted by the U.S. Department of Energy’s Lawrence Berkeley National Laboratory found no evidence that the prices of homes surrounding wind power facilities were “consistently, measurably, and significantly affected by either the view of wind facilities or the distance of the home to those facilities.” According to a January 2010 report by the Michigan Public Service Commission: “This peer reviewed report is believed to be the most comprehensive to date on the subject of the effect in the United States of wind farm proximity on real estate value. It reviews over 20 previously published reports, and points out some of the weaknesses of previous literature on the subject. For example, many previous studies used surveys of homeowners or real estate agents, rather than actual market prices. Some [other studies] relied on simple statistics that can be influenced by small numbers of sales transactions or survey responses.”

- 5. The Arcadia Wind Study Group expresses concern that Duke Energy will not take responsibility for the costs associated with decommissioning (i.e. dismantling and removing) the turbines at the end of their operational life.**

**Response:** Duke Energy supports a reasonable ordinance provision that guarantees decommissioning and removal. We believe that such a provision should require the wind developer to submit a decommissioning plan at the outset of the project, and to post a surety bond with the Township at the appropriate time. We do not believe that a surety bond is necessary for the first 15 years of turbine operation because the salvage value of the turbine far exceeds any potential decommissioning costs. At that point, the required surety bond should be an amount which represents the estimated removal and restoration costs, net of any salvage value for the turbine. Duke Energy would also support a provision that allows the township to independently verify the adequacy of the bond amount. Duke Energy does not just support such a provision as good township policy—our lease with participating landowners (specifically, Section 2.6) includes similar requirements, including a determination of the appropriate security by an independent engineer if the parties cannot agree upon the amount after good faith discussions.

So contrary to the Arcadia Wind Study Group’s assertions, there will be no abandoned turbines in Benzie and Manistee counties and residents will not be stuck with any decommissioning costs. Actually, the most likely scenario is that the turbines will be repowered at the end of their useful lives and replaced with more efficient turbines, continuing to provide a stable source of income to landowners and the community.

Vibrations are not a concern for wind turbines. In fact, wind turbines are specifically designed to avoid vibrations because they cause unnecessary wear and tear on equipment and reduce efficiency. Wind turbine components are engineered and constantly recalibrated to eliminate vibrations. Any minimal vibrations caused by the wind turbine would be virtually imperceptible in the area immediately surrounding the tower.

With respect to noise levels, the Arcadia Wind Study Group's suggested standards for Pleasanton Township are unreasonable. It is likely that the ambient sound levels (i.e. the level of existing noise) in Pleasanton Township already exceed the group's suggested maximum noise levels (without a single turbine in the area).

The State recommends a permitted sound pressure level of 55 decibels, or ambient sound levels plus 5 decibels in cases where the ambient sound exceeds 55 decibels. Duke Energy has communicated to the Township that it would support an ordinance that included a 45 decibel limit (which, given the way sound pressure levels are measured, is actually half as loud as the 55 decibels recommended by the State) at residences. For comparison purposes, a normal-volume conversation between two people standing 3 to 5 feet apart produces sound in the 60 decibel range. Quiet rural areas or theatre interiors are in the range of 40 decibels, quiet suburban areas at around 50 decibels. The Arcadia Wind Study Group's suggestion of 25 decibels at a property line is actually quieter than a ticking watch (30 decibels). *See* Michigan State University Extension Bulletin, "Michigan Land Use Guidelines for Siting Wind Energy Systems."

As for the group's concern about shadow flicker from wind turbines, this is something that can be modeled and is taken into account prior to the final decision of where a turbine will be placed, which is the State's recommended course of action. Duke Energy can minimize shadow flicker as part of our micro-siting process. Pleasanton Township's proposed wind ordinance includes a provision requiring that the turbines be sited so that flicker will not exceed 30 hours per year for non-participating property owners. We agree that this is reasonable.

We do not believe that the Arcadia Wind Study Group's suggested standards are based on the facts, scientific evidence, or industry standards. In fact, we believe that the group has proposed these unreasonable standards knowing that they would effectively (and illegally) ban wind turbines from the area.

**3. The Arcadia Wind Study Group proposes that Pleasanton Township's wind ordinance require a maximum turbine height of 199 feet to the top of the blade.**

**Response:** Such a limitation would improperly exclude wind energy systems from the area. Generally speaking, the taller the turbine, the more efficiently it can capture the wind (through access to higher wind speeds and utilization of longer blades), and, depending on the elevation and contours of the property, a taller turbine is often required. Because the taller turbines are more efficient, however, fewer are needed. Additionally, in order to be awarded a purchase power agreement (PPA) with a Michigan utility, we need to offer the best power price available and that requires using the most efficient, state of the art, wind turbine generators.

6. **The Arcadia Wind Study Group claims that “if the business personal property tax were to be repealed, turbine owners would pay no taxes at all on the turbines,” and the project will harm the local economy.**

**Response:** Under current Michigan law, Duke Energy estimates that its project will generate millions of dollars in tax revenue over its life, which can be used to fund roads, local emergency services, libraries, or other worthwhile services and improvements. There has been some talk in Michigan of changing the personal property tax laws, but that is speculation at this point, and it is extremely unlikely that the State would forego collecting taxes on turbines given its strong need for revenue. In such an unlikely case, Duke Energy would be willing to discuss with the township making “payments in lieu of taxes” to ensure that the project provides the expected tax benefits.

Further, there are many positive economic benefits for the local economy beyond tax revenue. Local residents who participate in the project receive substantial lease payments for the life of the project. This money, in turn, gets spent in the community. For many farmers, it is a way to harvest a new crop (wind) while still continuing to farm the land in more traditional ways. And through Duke Energy’s unique “pooling agreement,” all landowners who join the project will share revenue even if they do not host a wind turbine on their property. Through this arrangement, all participating neighbors benefit. We estimate that the Gail Windpower Project will provide over \$100 million in economic benefit to the community just through tax revenues and landowner payments over the project’s lifespan. And this does not even take into consideration other economic benefits for the community, such as the direct and indirect job creation associated with the construction and operation of the project.

7. **The Arcadia Wind Study Group claims that the lease that Duke Energy and participating landowners are agreeing to is “wholly one-sided, and among the most onerous [their attorney has] ever encountered.”**

**Response:** The group says that they are concerned about area residents “signing away their property rights.” That is ironic since the Arcadia Wind Study Group’s strident anti-wind position would take that decision out of your hands entirely. They don’t want you to have the right or ability to decide for yourself.

Our leases are fair to landowners and in-line with industry standards. Local residents who sign these leases and elect to participate in the Gail Windpower Project will receive significant lease payments over the life of the project, while still being able to use their property as they normally would—so if you are a farmer, you can still farm your property as you have in the past while adding an additional source of income simply by allowing a wind turbine to be placed on your property. Further, because Duke Energy has opted to institute a pooling agreement for the Gail Windpower Project, all landowners who sign land lease agreements will share revenue generated by the wind farm throughout its lifespan, whether or not they end up hosting a wind turbine.

Duke Energy, in turn, invests millions of dollars to construct a single wind turbine. Therefore, we have to be able to ensure that the turbine can operate as intended in order to

protect our investment. We are very open about that fact with landowners considering participation because we view the ongoing relationship with our participating landowners as a partnership. We do not discourage potential participants from consulting with a lawyer before signing a lease, and many have in fact done so. In addition, before leases in final form (the form referenced by the Arcadia Wind Study Group) were presented to landowners, the form had undergone extensive revisions as the result of negotiations with Michigan real estate lawyers representing groups of local landowners. We believe that the many landowners who have decided to participate in our project are proud of their partnership with Duke Energy, and we encourage you to talk with them directly.

Ultimately, our goal is to coordinate with our participating landowners to maximize clean, renewable wind energy in a way that minimizes impacts on the land so participants can continue to use their property exactly as they had before. That is in the best interests of everyone.

More particularly, I would like to correct a few of the more serious mischaracterizations regarding our leases made by the Arcadia Wind Study Group and its lawyer:

First, there is no “gag clause” and we are not trying to silence landowners by convincing them to sign a lease. Our lease does contain a standard confidentiality provision that prevents landowners from disclosing Duke Energy’s confidential financial and technical information to the general public without Duke Energy’s consent, but still allows landowners to disclose such confidential information to family members, attorneys and certain other professionals rendering legal or financial advice to the landowner. Such provisions are the norm in the wind industry.

Second, participants do not give up their right to bring a legal action under the lease with Duke Energy. The lease contains an arbitration clause, which is standard in this industry and many others, and is increasingly popular because arbitration tends to be less expensive and faster than litigation, and the parties can choose an arbitrator with expertise in the field in question. Beyond that, any arbitration would take place locally and be subject to Michigan law. This provision is fair and benefits both parties.

Third, the group gives the impression that Duke Energy’s lease gives it the right to use all of a participant’s property however it wishes without restriction. That is incorrect. The lease provides Duke Energy flexibility to micro-site the turbines so they can be placed in the optimal location for the benefit of both participating and non-participating property owners, and in adherence with any local laws, regulations or ordinances. Of course, Duke Energy consults with participants about where we will put our turbines to minimize impacts, and we agree under Section 1.6 of the lease to provide a site development plan upon the landowner’s request to aid in this process. Duke Energy wants to preserve for participants maximum use of their land for *all* purposes (this intent is specifically expressed in Section 32 of the lease)—and our experience across the country is that wind farms work in harmony with other productive uses of the land. Again, our goal is to cultivate our relationship with participating landowners. We view our participants as partners and we treat them as such.

Fourth, hunting is allowed on property that is part of the project. Of course, hunting is not allowed while Duke Energy’s workers are on the property, as safety for everyone on the

property is always the top priority. But once construction is complete, Duke Energy's need to access the leased property will be minimal.

Fifth, the lawyer's suggestion that Duke can clear-cut leased property under Section 1.4 of the lease is preposterous. The basic purpose of that section, entitled "Right to Trim," is to allow Duke Energy to reasonably trim trees and underbrush that might negatively impact turbine construction activities or, after the turbine is operational, that may have grown to the point where they are interfering with safe and efficient turbine operation. Again, safety is our highest priority. Beyond that, Section 1.6 of the lease ensures that Duke Energy's turbine siting plan will minimally impact trees on the leased property. To be clear, Duke Energy sites its wind turbines based on existing wind conditions on the leased property, not based on some assumed wind conditions that might exist if it clear-cuts the property in an effort to intensify the wind.

Sixth, the lawyer's characterization about the "removal security" lease provision (Section 2.6) is wrong. That provision essentially memorializes the sort of decommissioning requirements supported by Duke Energy and discussed above, including the provision allowing an independent engineer selected by the parties to determine the appropriate security. Further, if Duke Energy assigns or sublets the lease to someone else, the new lessee is still required to comply with the security obligations and, in some cases, may have to provide security even earlier than Duke Energy (as the original lessee) for a set period of time. Again, participants will not be required to expend any money for the removal of turbines.

**8. The group says that Duke Energy has "claimed that many parts of [the Planning Commission's proposed ordinance] are 'unconstitutional', which sounds like a legal threat."**

**Response:** Duke Energy's lawyer did send a letter to the Pleasanton Township Planning Commission in February expressing concern that several of the provisions in a proposed wind ordinance either amounted to illegal "exclusionary zoning" or were too vague to give fair notice to a potential wind developer like Duke Energy of what is or is not permissible in the township. Such provisions are in fact unconstitutional in Michigan. Our lawyer also recently sent the township a Freedom of Information Act (FOIA) request for township documents related to wind farms and the regulation of wind farms—the simple purpose of the FOIA request is to make sure we are keeping up on the discussion between the township and its residents (as well as those outside the township) about wind energy and our project, and are aware of the information that is being shared about wind energy.

Duke Energy wants to work with the community and its leaders to come up with a fair and balanced wind energy ordinance that protects the health and welfare of the community, preserves the ability of land owners to generate income from their property, and allows much-needed wind energy development to go forward. However, we are concerned that the anti-wind contingent represented by the Arcadia Wind Study Group is, through its April 8 letter and other communications, trying to pressure the township into passing an ordinance that will achieve the group's stated goal of effectively excluding wind energy systems from

the region. We are particularly troubled that the group is trying to achieve its anti-wind goals by spreading misinformation about our project and wind energy generally.

We have continuously offered to make our experts available to the township at a Planning Commission work session to help explain the science and evidence related to wind energy systems and to address specific questions and concerns. So far, the township has not taken us up on our offer, but we hope they will.

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Duke Energy welcomes an open dialogue in which all of the evidence is reviewed and all relevant stakeholders are heard so that a fair and lawful ordinance is adopted in Pleasanton Township. We urge you to talk with the people representing you on the Planning Commission and the Township Board to make sure that they are working toward a reasonable ordinance that is based on facts and the best interests of everyone in the community, rather than fear and myths about wind energy. The State of Michigan supports wind energy and is encouraging energy companies to use more clean, renewable sources, like wind.

We are excited about this project and the opportunities that it will bring to your community. We look forward to further discussions with you and your neighbors about the project and are always happy to answer any questions you might have. Thank you for your time.

Best Regards,



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