



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

POWER SERVICES

November 18, 2008

In reply refer to: PS-6

To Parties Interested in Long-Term Regional Dialogue:

BPA wishes to provide an opportunity to comment on its proposed section 9(c) determination concerning sale of the Centralia Coal Plant. This will resolve one of the details BPA discussed in the July 19, 2007, Long-Term Regional Dialogue Final Policy (July 2007 Policy) as needing to be resolved. General background information about this issue can be found at pages 55-60 of BPA's Record of Decision on the July 2007 Policy, which can be viewed on BPA's website at: [http://www.bpa.gov/corporate/pubs/RODS/2007/7-19-07\\_RD\\_ROD.pdf](http://www.bpa.gov/corporate/pubs/RODS/2007/7-19-07_RD_ROD.pdf)

BPA's July 2007 Policy stated that "the Administrator has decided to exercise his discretion to allow the removal of the Centralia Coal Plant under Section 5(b) of the Northwest Power Act starting in FY 2012 . . . , and will make a Section 9(c) determination that decrement to [the former public utility owners'] net requirements is not required, contingent upon further review of the facts and successful implementation of this Policy for service to publics." BPA conditioned the decision to remove Centralia on successful implementation of the Regional Dialogue Policy (i.e., establishing and implementing contracts and tiered rates) due to the public policy benefits the contracts and tiered rates will provide, and that condition remains in force.

BPA has now reviewed the facts and additional information made available to it about the public utilities' sale of the Centralia Coal Plant. The attached draft section 9(c) decision document explains BPA's conclusion and rationale at this time that a decrement to the public utility customers' net requirement loads will not be required under the Regional Dialogue contracts. All estimates of utility high water marks, BPA augmentation needs, Slice amounts, and related estimates over the last year have been made assuming the "no decrement" conclusion supported by this draft decision document. The draft decision therefore does not create any change in those existing estimates.

BPA is accepting comments on this Centralia decision document through close of business **November 25, 2008**. The comment period is short both because BPA believes the question of Centralia removal was thoroughly discussed last year in the public review leading up to the Regional Dialogue Policy, and because the four customers affected reasonably seek a final decision before the Regional Dialogue contracts are fully executed. You can mail written comments to Bonneville Power Administration, Public Affairs Office - DKE-7, P.O. Box 14428, Portland, OR, 97293-4428, submit your comments on-line at [www.bpa.gov/comment](http://www.bpa.gov/comment), or fax comments to (503) 230-3285. You also can call us toll free with your comments at (800) 622-4519. Please note all comments will be posted on BPA's external website.

If you have any questions, please contact your Power Account Executive.

Sincerely,

*/s/ Mark O Gendron*

Mark O. Gendron, Vice President  
Northwest Requirements Marketing

Enclosure:  
Draft Centralia 9(c) Decision

## **Preliminary Draft Determination**

### *Administrator's Review and Reconsideration of the Sale by Certain Public Utility Customers of Their Respective Ownership Interests In The Centralia Thermal Project Under Section 9(c) of the Northwest Power Act*

As part of BPA's Long-Term Regional Dialogue Record of Decision (July 2007RD ROD), and at the request of public utility customers, BPA proposed to conduct a review of the Centralia coal plant sale under BPA's 5(b)/9(c) Policy. The Centralia resource is comprised of a 1340 megawatt coal-fired electric generating station and an open pit coal mine supplying the plant. The Centralia resource (plant and mine) was owned jointly by PacifiCorp, Puget Sound Energy, Washington Water Power (now Avista) and four public utility customers: Seattle City Light, Grays Harbor PUD, Snohomish PUD, and Tacoma Power. The joint owners of Centralia faced costs of over \$200 million to install scrubbers to meet new clean air standards. Given the forecasted economical wholesale power market at the time of the action, and the forecasted costs, these owners decided against their continued ownership of Centralia. PacifiCorp, which held a 67 percent ownership share in the plant and the mine operation, proposed that the board approve the sale of Centralia and they engaged an auctioneer to advertise and evaluate qualified bidders. The Centralia resource was sold to TECWA, a Washington Corporation and subsidiary of TransAlta Corporation, a Canadian entity, through the auction process.

In the RD ROD, BPA stated that it would consider again under section 9(c) of the Pacific Northwest Electric Power and Conservation Act, 16 U.S.C. § 839f(c), available information and any additional information the public utilities made available to BPA pertaining to the public utilities' sale of their shares of the Centralia resource, but not until additional steps were taken to implement Regional Dialogue power sales contracts and establish tiered rates. BPA has recently offered the Regional Dialogue contracts to its public utility customers and recently issued its Record of Decision to establish a Tiered Rates Methodology, so it is appropriate to now review and reconsider under section 9(c) the sale of the Centralia resources by the above utilities.

Section 9(c) of the Northwest Power Act requires BPA to determine whether it should reduce its firm power sold to utilities for their power requirements. It concerns the sale or disposition of power from a customer's resources, or the sale of the resource itself, to entities outside the Pacific Northwest. BPA is directed to reduce its sale of firm power and to only sell surplus power as a replacement for nonfederal power or resource sold by regional utilities outside the region, if certain conditions are not met. Section 9(c) identifies a two-pronged test regarding a customer's sale of a non-Federal resource out of the Pacific Northwest when the extra-regional disposition or sale may increase the Administrator's firm load requirements or the load requirements of other customers. The first prong of the test asks whether the resource could not be conserved. The second prong asks whether the resource could not otherwise be retained for service to regional load. In certain circumstances where the test of the statute is not met, BPA is prevented from selling firm power to replace the non-Federal power sold by a customer out of the region or to replace power from a resource sold by the customer.

## Preliminary Draft Determination

The issue for this reconsideration under section 9(c) focuses upon the Administrator's determination whether through reasonable measures such amount of energy disposed of out of the region, i.e., through sale of power or the resource itself, could not be conserved or retained for service to regional loads. *See* 16 U.S.C. § 839f(c). In the May 2000 5(b)/9(c) Policy, BPA stated that a customer's offer of power or a resource to BPA and its other Pacific Northwest customers, with the offer not being accepted, is an alternative means of supporting a BPA finding that the resource may not be retained in the region for service to regional load. *See* 5(b)/9(c) Policy ROD at 126. BPA is cognizant that although BPA's proposal for its 5b/9c policy was before the public for consideration, the final 5(b)/9(c) Policy and ROD were published in May 2000 after the Centralia owners began their efforts to offer and finalize the sale of the Centralia resource. Therefore, in reconsidering the nature of the offer and the eventual sale of the Centralia resource, BPA's review focused on answering whether the owners of Centralia offered to sell the resource to BPA or its customers consistent with section 9(c) of the Northwest Power Act and BPA's Section 5(b)/9(c) Policy.

As noted above, BPA is making this reconsideration as provided for in the RD Policy. Page 13 of the Policy states:

The Administrator has decided to exercise his discretion to allow the removal of the Centralia Coal Plant under Section 5(b) of the Northwest Power Act starting in FY 2012 and for the purpose of calculating Contract HWMs for Seattle, Tacoma, Snohomish PUD, and Grays Harbor PUD, and will make a Section 9(c) determination that decrement to their net requirements is not required, contingent upon further review of the facts and successful implementation of this Policy for service to publics. Discretion to remove Centralia would not be exercised outside of the context of implementation of this Policy, because the public policy benefits that justify the decision would not be achieved.

It is important to reiterate that both the section 5(b) decision by the Administrator to consent to the removal of Centralia by the four publics and this section 9(c) determination remain conditioned on the successful implementation of the RD Policy. This means the execution of new Regional Dialogue contracts and the successful establishment of tiered rates.

Regarding the first prong of the 9(c) test, BPA finds that the utilities individually could not prevent the sale of the resource by the majority owner. No one public utility had the fiscal ability to take on the entire project, just as none had the ability to sponsor the entire project, including the mine, at the time Centralia was developed. BPA found that the Centralia resource at the time of the sale was still in each utility's resource exhibit and thus required each utility to replace the resource with non-Federal power for the duration of their Subscription power sales contract. That obligation under the Subscription power sales contract is not changed by this determination and was based on then current loads and resource conditions.

## Preliminary Draft Determination

The other prong of the 9(c) test, whether the resource could be retained for use in other regional loads, must also be addressed. In analyzing this prong BPA evaluates the issue from the point of view at the time of the sale of the Centralia resource. Only by doing so is BPA able to evaluate the actions taken by the four public utilities contemporaneous with the sale. This prong of the test does not address whether the Centralia replacement resource should be offered to other customers but whether the Centralia resource itself was offered and was known to be available, so that other regional utilities, fiscally qualified to own the project, may have participated in the sale.

**Early Offers.** Prior to relying on the auction process to sell Centralia, there was an attempt by Snohomish to sell its individual ownership interest. Because the unique nature of the Centralia resource included participation in the ownership of the Centralia coal mine as well, not all regional utilities would be financially or organizationally able to buy. In July 1997, Snohomish sent a letter to 26 entities requesting proposals for the purchase of Snohomish's 8 percent ownership interest in the resource. *See* Attachment 1 (Snohomish letter); Attachment 2 (*Clearing Up* article). Those utilities solicited to make offers included both in and out of region entities. *Id.* In-region entities included the other Centralia owners and non-owners, such as Lewis County PUD, Grant County PUD, and Benton County PUD, as well as Power Resource Managers, an entity that was owned by several BPA preference customers. The letter stated that Snohomish had to offer to transfer its interest to the other plant owners prior to accepting any offers from third parties. The other owners had up to 6 months to match a bona fide offer from a willing and able buyer.

This solicitation elicited one inquiry, made by Lewis County PUD. *See* Attachment 3. Lewis County made a counter-proposal, requesting that it acquire a 2% ownership share. Lewis County stated that an 8% interest was far in excess of the district's needs, which created considerable financial risk. Beyond this response, the documents BPA has available show that Snohomish did not receive any qualified offers.

On March 17, 1997, a regional energy weekly news report, *Clearing Up*, reported that Snohomish was attempting to sell its share of the Centralia resource. The article also reported that another owner, Washington Water Power, had unsuccessfully tried to sell its 15 percent share in early November 1996. Another article in *Clearing Up* from November 16, 1996, reported on Washington Water Power's efforts to sell its ownership interest. BPA notes that *Clearing Up* is a widely read and well-respected publication on energy matters in the Pacific Northwest.

**Possible Purchasers.** The number of entities in the Pacific Northwest that had the legal authority and ability to finance the acquisition, ownership and operation of the Centralia resource was limited. The owners that were selling the resource were themselves the largest utilities in the region and amongst themselves possessed the greatest expertise to operate the unit. Pursuant to the terms of the Centralia Plant Agreement, the owners made simultaneous offers of their respective ownership shares to one another. All of them declined to purchase. This circumstance created a limiting factor on the number of possible purchasers.

## Preliminary Draft Determination

Given the lack of interest by regional utilities to purchase Centralia, the resource's owners decided to act jointly in an effort to sell all of their interests through an auction process. The investment banking firm, New Harbor, Inc., was retained to assist in the auction. Due to the above lack of regional interest, and additional lack of entities that qualified as potential purchasers, the owners allowed New Harbor to structure the auction nationally. In developing the auction, New Harbor identified and contacted entities that could have an interest in the resource, including customers of BPA.

**Conclusion.** Based on the foregoing review and reconsideration, BPA finds that (a) the utilities individually could not prevent the sale of the resource by the majority owner; (b) BPA's regional customers had notice that the Centralia resource and mine were for sale; (c) the potential sale of the Centralia plant was widely known in the region as reflected in the *Clearing Up* energy report articles prior to the sale; (d) the cost of operating the plant and mine were increasing and the pool of utilities who could qualify for ownership participation was limited and the qualifications set by the owners for an eligible purchaser was reasonable; (e) given the expected cost of operations, including the mine, the continued application of the resource to load was not attractive to the current public owners and was only attractive to one regional public utility but at a much smaller participation; and, (f) there was a lack of response in the region to Snohomish's offer and to the auction. Therefore, it is BPA's conclusion that the utility customers of BPA that sold their ownership interests in the Centralia resource did so consistent with section 9(c) of the Northwest Power Act and BPA's 5(b)/9(c) Policy.



2320 California Street • Everett, WA • 98201 • (425) 258-8211  
Toll-free: 1 (800) 562-9142 • Web site: <http://www.snopud.com>  
Mailing Address: P.O. Box 1107 • Everett, WA • 98206-1107

September 25, 1997

Mr. Roger Garratt  
U.S. Generating Company  
1420 Fifth Avenue, Suite 2200  
Seattle, WA 98101

Dear Mr. Garratt:

Thank you for your interest in the Snohomish PUD's (the "District's") offer to sell its eight percent ownership interest in the Centralia Power Plant.

Enclosed are the additional documents you requested per your e-mail of September 2, 1997. You will be notified of developments in the proposal process from this point forward. If you have any questions, please contact the District in one of the following ways:

- Call Karin Bulova at (425) 258- 8465
- E-mail Karin Bulova at [kabulova@snopud.com](mailto:kabulova@snopud.com)
- Visit the District's web page at [www.snopud.com](http://www.snopud.com)
- Write to:  
P.O. Box 1107  
Everett, WA 98206-1107  
Attn: Karin Bulova

All proposals should be received by September 30, 1997. However, the District reserves the right to accept proposals submitted beyond this date. The District reserves the right to reject any and all bids.

Sincerely,

A handwritten signature in black ink that reads "Barbara Beck". The signature is written in a cursive, slightly slanted style.

Barbara Beck  
Sr. Manager, Power Supply

COPY 6

Lewis County

PUBLIC UTILITY DISTRICT

321 N.W. PACIFIC AVE. CHEHALIS WA • P.O. BOX 350  
CHEHALIS, WASHINGTON 98532-0350  
1-800-562-5612 • (360) 748-9261 • FAX (360) 740-2455

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RONALD D. RAFF, Supt.

September 30, 1997

Ms. Karin Bulova  
Snohomish County PUD  
P.O. Box 1107  
Everett, WA 98206-1107

Dear Ms. Bulova:

Subject: Centralia Power Plant Proposal

**Introduction and Background**

Public Utility District No. 1 of Lewis County has been interested in the Centralia Power Plant since announcement by certain owners of their intentions to consider sale of their shares of the Plant. Following Snohomish's formal announcement and RFP, the District, with the assistance of a consultant, initiated an analysis of the Plant.

Through this analysis, the District has concluded that (1) an 8% interest in the Centralia Plant would result in power supply in excess of the District's needs; (2) the value of the Plant may be positive or negative depending on market and cost assumptions; (3) an 8% interest in the Centralia Plant would impose considerable financial risk to the District; (4) a 2% interest would be more reasonable based on the size of our utility; (5) when unquantifiable risks are included, the value is more likely to be negative; (6) there is some local value of having an interest in the Plant; and (7) there may be an opportunity through joint Lewis/Snohomish association to mitigate some of the risks.

**Proposal**

The District proposes to enter into discussions with Snohomish for acquiring 2% of the Centralia Power Plant by assuming 2% of the cost and ownership responsibilities of the Plant contingent upon addressing certain short term and long term issues. The short and long term issues which need more definition and discussion relate to the ability of the District to utilize the power versus the necessity to market the power for the short term, environmental cost risk associated with the proposed scrubber



Attachments to Draft Determination

Ms. Karin Bulova  
September 30, 1997  
Page 2

implementation plan, future environmental cost exposure, and decommissioning cost exposure for the short to medium term.

If Snohomish has any interest in this approach, the District would be interested in exploring ways to mitigate the outstanding concerns relating to: (1) District BPA Power Purchases Contract obligations through 2001; (2) remarketing ideas and assistance both short term and long term; (3) environmental cost exposure; and (4) decommissioning cost exposure.

**Respondent Information**

Legal Name: Public Utility District No. 1 of Lewis County

Address: 321 N.W. Pacific Avenue  
P.O. Box 330  
Chehalis, WA 98532

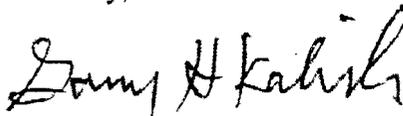
Representative: Dave Muller, located at above address  
(360) 748-9261  
Fax (360) 740-2455

Business: Public Utility District operating under the laws of the State of Washington

Annual Report: A copy of the District's 1996 Financial Statement is attached.

Thank you for your assistance and the opportunity to explore Centralia Power Plant purchase options. Please contact Dave Muller or me if you have questions.

Sincerely,

  
Gary H. Kalich  
Manager

GHK/cb  
Enclosure  
cc: Commissioners  
Dave Muller

Attachments to Draft Determination



Mr. Ben Deutsch  
Minnesota Power  
30 West Superior Street  
Duluth, MN 55802-2093

Mr. Bill Greenwood  
Windswept Capital  
1001 4th Ave. Plaza, Suite 3000  
Seattle, WA 98154

Mr. Bruce Akin  
Western Resources, Inc.  
818 Kansas Avenue  
Topeka, KS 66612-1217

Mr. Dave Muller  
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P.O. Box 330  
Chehalis, WA 98532-0330

Mr. David Barlow  
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Ida-West Energy Company  
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Mr. George Hopley  
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122 East 42nd St., Suite 516  
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Mr. Gil Gallegos  
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Kennewick, WA 99336

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Mr. Jim Fitzowich  
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Mr. Jorge Manrique  
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Mr. Mark Crisson  
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Tacoma, Wa 98411

Mr. Michael Ruffatto  
North American Power Group, Ltd.  
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Mr. Paul Redmond  
Washington Water Power  
P.O. Box 3727  
Spokane, WA 99220

Mr. Roger Garatt  
U.S. Generating Company  
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Mr. Samuel Kwong  
LG&E Power  
3200 Park Center Drive, Suite 400  
Costa Mesa, CA 92626

Mr. Stephen Muchlinski  
Puget Sound Energy  
P.O. Box 97034  
Bellevue, WA 98009-9734

Mr. Stephen Powell  
Indianapolis Power & Light Company  
1230 W. Morris St.  
Indianapolis, IN 46221

Mr. Stephen Romjue  
Grays Harbor County PUD  
P.O. Box 840  
Aberdeen, WA 98520

Mr. Tom Oldmacher  
Black Hills Corporation  
625 Ninth Street  
Rapid City, SD 57701-2693

are peaking and dissolved-gas levels are expected to be over 130 percent at McNary Dam. "It all depends if the Snake and Columbia peak at the same time," Bettin said. Keeping all turbines in business could reduce gas levels by five to seven percent, he said, but that would only make a difference at the beginning and end of the involuntary spill season, when overall gas levels are less than at the spring peak.

The plan says that dissolved gas levels of up to 130 percent should be allowed for instantaneous levels and 125 percent for the 12-hour average, or 120 percent in forebays and 125 percent at tailraces. That's five percent above this year's variance. They do recommend

barging if gas levels or temperatures become lethal; that is, if the smolt monitoring program shows significant effects on juvenile fish.

Another controversial element is their call for immediate drawdown of John Day reservoir to minimum operating pool and maintaining this elevation year round. They cite the BiOp and the Power Council's 1994 fish and wildlife program calling for the drawdown to MOP. The region's policymakers have already ruled out such a drawdown this year, but will hear from the groups at the March 24 Implementation Team Meeting [Bill Rudolph].

## Supply & Demand

### [16] Snohomish Puts Centralia Steam Plant Share Up For Sale ■ from [4]

Snohomish PUD said last week it is accepting offers for its 8 percent share of the 1330 MW Centralia coal-fired power plant. It said a recent staff study showed the PUD's cost of purchased power "would be reduced if it sold its share of the plant and instead purchased more wholesale electricity on the power market."

Coe Hutchison, PUD assistant general manager of power and business services, said independent power producer Illinova approached the PUD about buying its share. He said there have been no negotiations with respect to price.

Snohomish is the second Centralia co-owner to offer its share of the plant for sale. Washington Water Power put its 15 percent share on the market in early November of 1996. It has had no takers. It was unclear last week whether Illinova has been in touch with WWP.

Under a plan to reduce Centralia's emissions, owners have agreed to install two scrubbers at a cost of about \$280 million in exchange for a range of tax breaks.

There are several bills pending in the Washington legislature concerning Centralia. One is HB 1975, which would allow PUDs to sell their share of Centralia. Currently PUDs, unlike cities, cannot sell their share to entities outside Washington or Oregon. Centralia's ownership is mixed: two cities--Tacoma and Seattle hold 8 percent shares; two PUDs--Snohomish and Grays Harbor PUD, which has 4 percent; and four IOUs--WWP, Pacific, PGE and Puget. HB 1975 passed the House last week. It was supported by Snohomish, WWP and PacifiCorp, but the Washington PUD Association testified against it.

Another Centralia bill is HB 1275, which would implement the tax breaks agreed to in the emission plan. HB 1275 has passed the Energy and Finance committees and was passed to the rules committee for a second reading last week. Its companion bill, SB 5210, was referred to Ways & Means after passing the Agriculture & Environment committee Feb. 14, but has not been acted on since [Ben Tansey].

### [17] Enron Ready to Pounce If Co-op Wins Antitrust Action ■ from [5]

The Snake River Valley Electric Association of southeast Idaho, whose members currently take service from PacifiCorp operating division Utah Power & Light, has signed a renewable five-year, 150 MW "condition precedent" power supply contract with Enron Power Marketing.

Under its terms, Enron would supply power for 1.88 cents/KWh starting in 1997. The rate would escalate at 5 percent a year, reaching 2.39 cents/KWh in 2002. Throughout the term, a demand charge of \$2.65 /KW would also apply.

An Enron spokesman said "the condition precedent we have with (the co-op) states that when they are legally allowed to buy power from an entity other than UP&L, Enron will supply them with power that is less expensive and more reliable."

**'As much as we'd like to sell them less expensive, more reliable power, in Idaho right now it's illegal.'**

The condition was necessary because "as much as we'd like to sell them less expensive, more reliable power, in Idaho right now it's illegal." He said either the legislature needs to open the state to "customer choice," or "if the co-op wins its lawsuit, we could sell them power."

The co-op, mostly irrigators and ranchers, is awaiting a US District Court decision on an antitrust action it filed against PacifiCorp last year (CU No. 765 [9/18]). It filed after the IOU refused to sell distribution equipment the co-op needs to get power from an alternative supplier. The 900-member co-op currently has no customers or equipment.

Carl Palmer, the co-op's consultant, said the customers have a wide range of complaints about their current service. There have been a number of power outages, a local office was closed, pump motors have been burned out and there has been a general "degradation of serv-

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These groups together," said Darrell Olsen of the Pacific Northwest Project.

The groups say the proposed policy lacks accountability to broad resource management objectives. They go on record opposing the use of the Endangered Species Act "to justify or promote actions that are based on poor scientific and technical evaluations, or that attempt to destroy important social and economic resources of the state."

The letter says the wild fish proposal is not workable "because the performance standards outlined in the policy ignore different conditions within watersheds that would render meaningless the efforts of local planning and management." The agriculturalists also feel the proposed policy has the potential to violate water permits and would restrict all types of growth within the state.

The letter says that "21st Century Wild" has the same major flaw as existing salmon recovery efforts, including the NMFS BiOp/Draft Recovery plan and the NWPPC's Fish and Wildlife program--"lack of priority for marginal benefits and biological/cost-effectiveness."

The letter goes on to make four recommendations. It calls for the WDFW leadership to withdraw the existing

proposal as a blueprint for future actions and instead make sure that all future water resource planning and development take place at the local level, calling the prescriptive path approach "totally wrong."

The state's basic approach to fish management should be re-evaluated to first "define areas and actions that would yield maximum biological benefits without disrupting major social and economic activities." The state should not use the ESA as a "license" to act in ways that produce little benefit while incurring high social and economic costs, the letter continues.

The agricultural community says it will continue to take actions to improve efficiency and prudent use of natural resources and offers to work directly with the state fisheries agency on projects that are mutually beneficial to agriculture and fish.

So far, Shanks is sticking to his guns. Last month, he told the state fish and wildlife commission that everyone must be prepared to sacrifice. He said the American Fisheries Society will be asked to review the state's new policy, and that the second draft should be ready by December, after more input from other state agencies and tribes is collected [B. R.J.]

## Supply & Demand

### 1 Pollution Control Plan Not a Factor in Centralia Sales Offer ■ from 151

Washington Water Power has had expressions of interest but no offers yet from co-owners interested in buying the IOU's share of the Centralia coal plant. The utility recently notified the seven other owners of its desire to sell its 15 percent, or 200 MW, stake in the 1330 MW plant. It hopes to sell its portion in the next few months.

Water Power cited several factors for the timing of its decision. The prospect of coming through with its \$30 million share in a tentative plan to meet a \$200 million pollution control agreement was not one of them, the utility insisted.

Water Power is trying to put more emphasis on its wholesale marketing efforts, said George Perks, WWP superintendent of thermal resources. "We've sold other assets in the last year or two," he pointed out, including an industrial park in Spokane. The company wants "to move that capital into other investments." However, there are no other asset sales currently being contemplated, he acknowledged. Perks also said Centralia no longer fits the company's resource stack. The company has approximately 730 MW of thermal capacity, including a share of Colstrip. Also, Perks added, Water Power is the only Centralia owner east of the Cascades.

PacifiCorp, which operates Centralia, holds the largest share of the plant, 47.5 percent. Seattle City Light,

Tacoma City Light and Snohomish PUD all hold 8 percent; Puget Power, 7 percent; Grays Harbor PUD, 4 percent and Portland General, 2.5 percent. The ownership breakdown hasn't changed since at least the 1970s, a spokesman said.

Barbara Beck, Snohomish PUD power supply manager, said the utility will consider Water Power's offer, but the PUD is not on the verge of making a decision. "We've been working quite some time on different ways to run Centralia," she said. Snohomish is currently evaluating three basic options: keep the plant running,

keep it running only some of the time, or cease being an owner. The plant's advantages to Snohomish are its low power cost and the ability to schedule it without regard to water conditions.

PacifiCorp spokesman Dave Kwamme said acquiring a larger share of the plant is something the IOU will consider but has not begun to analyze. "The

way the energy industry is restructuring, everybody's reason for owning a share of anything are things they are evaluating now. Anyone with a piece of Centralia is looking at options," but he said he had no knowledge of other co-owners actively evaluating Centralia.

Under a "tentative target solution" worked out in September with state pollution control authorities and other parties (CU no. 743 [5/16]), Centralia owners would install two limestone scrubbers at each of the plant's units, Kwamme said. This would reduce emissions by 90 percent. The estimated cost is \$200 million. The company expects to finalize the proposal next

**'The plant is economically challenged. We are not trying to hide that fact.'**

month. It will then have to go through a formal RACT (reasonably acceptable control technology) process to have its new emission standard set by the Southwest Air Pollution Control Authority.

Kvamme said the company's efforts to voluntary negotiate an agreement means years of litigation costs and delays were averted. However, PacifiCorp may yet settle on one of two less costly proposals: closing the plant and the nearby coal mine, or closing the mine and reducing emissions through a combination of a smaller scrubber and the use of very low sulfur coal. The latter is the least expensive, but both options would cost at least 500 high-paying jobs.

Kvamme said that while the two less costly options are still possible, "the intent is to head in this direction of the two scrubbers...The owners feel we have a responsibility to step up to the plate when it comes to cleaning up the Centralia plant." But to go through with the plan, PacifiCorp also wants the legislature to pass a set of sales, use, and property tax incentives that would result in a savings of between \$50 million and \$100 million.

Kvamme acknowledged the dual scrubber plan would increase the cost of Centralia power, but did not say by how much. The current cost is confidential, he said, but "it is higher than our average cost of power. The plant is economically challenged. We are not trying to hide that fact" [Ben Tansey].

## [22] WWP, Mock Energy Services Join Forces in the CA Market ■ from 161

Washington Water Power has formed an alliance with Mock Energy Services, a California natural gas marketer, to jointly offer "electric commodity service and other energy products" to industrial and large com-

mercial customers in California, Water Power announced last week. The alliance involves Water Power's wholesale power marketing group, which currently sells to California utilities, and Mock Energy Services, which is partly owned by Dupont subsidiary Conoco.

The alliance gives Water Power "a chance to build relationships" with industrial and large commercial customers in California in anticipation of the advent of open access in January 1998, said WWP spokesman Ed Renouard. For now, WWP and Mock will offer energy-related services rather than actual electricity. These will include real-time metering, consolidated billing, lighting and security systems, and energy technology and management services. Some of those will be provided by WWP subsidiary WWP Energy Solutions.

Water Power is also looking to enhance its Southwest marketing ability with a recent request to PGE for up to 200 MW of firm transmission that would commence Jan. 1, 1997, and end as late as Dec. 31, 2001. PGE is considering the request.

"We have no specific transaction in mind," said Pat Damiano, Water Power electric wholesale marketing representative, "but we felt, looking ahead to the California retail market being opened up, that transmission access to the California/Oregon border may be desirable." Water Power owns no capacity on the Third AC or DC Interties, he noted. "We currently have only transaction-specific control rights on the Interties."

Renouard said the long-term goal is for the alliance to become a full-service energy provider for California customers. According to WWP, Mock Energy Services has almost a 25 percent market share among direct access natural gas customers in California, while only four power marketers have sold more wholesale megawatt-hours so far in 1996 than Water Power [Jude Noland].

## Clearing It Up

## [23] Public Power Utilities Present Public Purpose Commitments ■ from 111

Northwest public power utilities have come through on their voluntary commitments to conservation and other public purposes, Regional Review gubernatorial representatives were told last week. A thick booklet of resolutions, letters and testimony expressing these commitments was presented to the Review Wednesday evening in Spokane, where they were holding the last of nine hearings to gather public comment.

Public Power Council senior policy analyst Maureen Carr said the booklet contained letters from more than 60 agencies, including several representing more than one utility. Over 100 of PPC's 114 public power members made commitments, representing 90 percent of the public utility retail loads in the region, she said.

The public utilities are responding to the Regional Review Steering Committee's "desire to see tangible evidence" of the commitments, Carr said. "Each state-

ment expresses strong support for the Steering Committee's efforts and in particular for the public purpose recommendations contained in the report," she added. In particular, they applaud the Committee's "reliance on the authorities of the locally elected boards, commissions and city councils."

A frequent criticism of the Regional Review report has been the decision to leave funding for public purposes such as conservation, renewables and low income programs to a voluntary set-aside of 3 percent of retail utility revenues. "Some in the region were skeptical about public power's willingness to make these commitments," Carr noted.

NCAC coalition director Sara Patton said she "commends the publicly-owned utilities that met the challenge put out by the Regional Review. As far as I can tell, there are six," she said, citing Snohomish, Seattle, EWEB, Emerald, Salem Electric and Idaho Falls. Only these utilities included language saying that if an adequate number of utilities do not voluntarily make the