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Christine O. Gregoire
ATTORNEY GENERAL OF WASHINGTON

900 Fourth Avenue #2000 • Seattle WA-98164-1012

October 21, 1999

By Fax and U.S. Mail

Carole Washburn
WUTC
1300 S. Evergreen Pk. Dr. S.W.
PO Box 47250
Olympia, WA 98504-7250

Re: Proposed Sale of Centralia Power Plant
Pacificorp UE-991262
Avista UE-991255
Puget Sound Energy UE-991409

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

Dear Ms. Washburn:

Pursuant to the request of the Commission that the parties provide a list of potential issues in this proceeding, Public Counsel provides the following issues:

- (1) How, or should, these issues be consolidated?
- (2) Is Centralia a cost-effective resource?
 - How is this issue addressed by the least cost plans of the respective utilities?
 - What are the past, current and prospective operating costs of Centralia and the comparative market costs of replacement power?
 - Are these Centralia costs more predictable and valuable than "open market" purchases?
 - What is the economic life of Centralia?
 - Have the ancillary service and transmission benefits, including inter-utility exchange agreements (such as the PSE/Avista/Colstrip/Centralia transmission exchange agreement) been adequately considered?
 - How should the qualitative aspects of the transaction, such as the ownership structure, risk of carbon tax, or site restoration obligations be quantified or considered?
 - Have the residual real estate values of the site been appropriately quantified and recognized?
 - Can the Centralia plant be operated more cost-effectively by any or all of these utilities with increased consolidation of ownership?
 - Is the cost-effectiveness of Centralia affected by PSE's decision to either sell or not sell Colstrip?
 - Are there negative financial or operating impacts on rate payers from not proceeding with the sale?
 - Could Centralia be operated by the utilities as an IPP and financed with a highly leveraged IPP-type capital structure more economically?
 - Is the sale price in light of the foregoing high enough?
 - Is the sale in the public interest?



- (3) If the sale price is adequate, how should the gain on the sale be treated?
- Are shareholders entitled to any of the gain, or would that be to provide them with more than a fair rate of return?
 - Should ratepayers be compensated for overpayments (above market power cost) in the past before any gain is divided?
 - How much of the gain must go to ratepayers for them to be "neutral" on the sale.
 - Have the utilities (Avista and PacifiCorp) treated the gain on the sale of the mining operation differently?
 - Are there values remaining in other Centralia assets being retained (such as Skookumchuck Dam and water rights) and how should they be treated?
 - How should the gain on the sale be implemented in rates for each of the respective utilities?

(4) More global issues.

- What issues should be considered in determining whether the sale of Centralia is in the public interest?
- Should the use of an auction price be determinative of whether the sale is in the public interest?
- Can a determination of whether the sale of base-load generating resources is in the public interest be adequately made in the absence of an up-to-date fully reviewed least cost plan?
- Does the sale of Centralia or other generating resources increase/decrease the utility cost of capital and how should any such change in the cost of capital be addressed?
- Does the sale of Centralia or other generating resources reduce management or administrative costs, and how should such reductions be implemented?

Very truly yours,



Charles F. Adams
Assistant Attorney General
(206) 464-6446

cc: ALJ Marjorie Schaer
Parties