

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of
PUGET SOUND ENERGY, INC.

for (1) Approval of the Proposed Sale of PSE's
Share of the Centralia Facilities, and
(2) Authorization to Amortize Gain Over a Five-
Year Period.

DOCKET NO. UE-99_____

EXHIBIT NO. _____ (WAG-3)

EXHIBIT NO. _____ (WAG-3)
TO THE DIRECT TESTIMONY
OF WILLIAM A. GAINES

WUTC DOCKET NO. UE-991255
EXHIBIT NO. 104
ADMIT W/D REJECT

Bidders also can rely on the signers of this letter to ensure strict enforcement of all local, state and federal requirements regarding Centralia's pollution emissions and site reclamation, and to help injured parties seek redress. And we will keep building on a quarter century tradition of successful advocacy for steadily tighter controls and restrictions on the operation of coal-fired power plants generally and Centralia in particular.

CENTRALIA'S OPPORTUNITIES:

On the other hand, any bidders with an equitable plan for retiring coal combustion at Centralia will find in us willing and productive partners. Our organizations have helped the Pacific Northwest become a world leader in creative solutions to energy and environmental problems. There are many promising alternative uses for a site that combines excellent transmission and natural-gas access with a skilled workforce and a strategic location on the Northwest electricity grid. Whether or not Centralia is sold, we look forward to working with the owners on solving its profound environmental problems for the benefit of the community and the entire region.

AMERICAN RIVERS [Katherine Ransel]

ATMOSPHERE ALLIANCE [Rhys Roth]

CITIZENS' UTILITY BOARD OF OREGON [Jason Eisdorfer]

CONVERGENCE RESEARCH [Kevin Bell]

ENERGY PROJECT [Chuck Eberdt]

ENERGY OUTREACH CENTER [Paul Horton]

FRIENDS OF THE EARTH [Shawn Cantrell]

GREENHOUSE ACTION [Nancy Holbrook]

KLAMATH SOLAR ASSOCIATION [David White]

MONTANA ENVIRONMENTAL INFORMATION CENTER [Graden Oehlerich]

NATURAL RESOURCES DEFENSE COUNCIL [Ralph Cavanagh]

NORTHWEST ENERGY COALITION [Sara Patton]

NORTHWEST ENVIRONMENTAL ADVOCATES [Eugene Rosalie]

OPPORTUNITY COUNCIL [Dave Finet]

OREGON ENVIRONMENTAL COUNCIL [Chris Hagerbaumer]

RENEWABLE NORTHWEST PROJECT [Peter West]

SAVE OUR WILD SALMON [Tim Stearns]

SIERRA CLUB NORTHWEST [Bill Arthur]

SOLAR ENERGY ASSOCIATION OF OREGON [Dave Robison]

SOLAR INFORMATION CENTER [Ross Leventhal]

WASHINGTON PUBLIC INTEREST RESEARCH GROUP [Jon Stier]

A WORLD INSTITUTE FOR A SUSTAINABLE HUMANITY [Michael Karp]

For further information, contact

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3/11/99
Plant

OPEN LETTER TO BIDDERS ON THE CENTRALIA POWER PLANT

March 11, 1999

This is an open letter to prospective investors in the Centralia coal-fired power plant from members of the Pacific Northwest's extended and united environmental community. Our joint commitment is to end coal combustion as soon as possible at what is today the largest single source of air pollution in the entire region. If bidders are trying to buy the plant with the intention of continuing to burn coal there, they are wasting their money. That conclusion rests on a host of looming environmental and financial liabilities, as well as on our collective determination to see that Centralia is replaced as soon as possible with much more benign generation and energy-efficiency alternatives. We also reaffirm here our determination to ensure that the community and workers are treated fairly regardless of ownership or disposition of the plant; we have not and will not let anyone turn worker against environmentalist or environment against worker.

CENTRALIA'S ENVIRONMENTAL LIABILITIES:

The most recent EPA data show annual Centralia emissions of almost 9 million tons of carbon dioxide, 64,000 tons of sulfur dioxide, and 16,100 tons of nitrogen oxides. This gives the plant the unenviable and uncontested status of the Pacific Northwest's largest single source of air pollution. Every one of these pollutants is subject to escalating regulatory pressures, and carbon dioxide in particular is a prime candidate for taxation or regulatory limits as the nation works to minimize risks of catastrophic global climate change. In addition, litigation now pending in federal court against the plant alleges that its particulate emissions are linked to at least 19 premature deaths annually. See *Northwest Environmental Advocates v. Riveland, et al.*, Case No C96-1297WD (W.D. WA, filed August 20, 1996); and Pacific Northwest Laboratory, Air Quality Analysis and Related Risk Assessment for the Bonneville Power Administration's Resources Program Environmental Impact Statement (April 1992).

The plant has been identified as a major contributor to visibility impairment and acidification of lakes in the Mount Rainier National Park and other wilderness areas. Are the bidders prepared to assume liability for these costs? What about the plant's significant mercury emissions, which will become subject to mandatory reporting requirements later this year? Have the bidders secured data from the owners regarding the magnitude and potential trajectories of these emissions? See Commission for Environmental Cooperation, Continental Pollutant Pathways, pp. 10-11 (1997) (authoritative review of health effects from public's exposure to mercury emissions from coal-fired electrical generation, including "liver and kidney damage", "reproductive problems", "loss of sensation, tunnel vision, lack of coordination, and impairment of speech", and "fetal malformations").

Bidders should draw no comfort from an agreement between Centralia's current owners and the Southwest Air Pollution Control Authority (SWAPCA) to reduce the plant's sulfur dioxide emissions. That agreement is under challenge at the state level and already is notorious for missed deadlines and discord among the parties. Virtually all of the compliance costs remain to be incurred after the sale is complete, and even full compliance would leave unaddressed (or even worsen) potential liabilities for releases of carbon dioxide and mercury, and for reclamation of the mine at the plant site. And count on us to seek the strictest scrutiny by state utility regulators of any proposed sale that contemplates business as usual at the plant.

Proj #	BUCKET	CENTRALIA PLANT 1999 5-YEAR CAPITAL PLAN 100% DIRECT COST		Direct Project Cost (\$000)							
		Project Description	Overhaul Related "x"	Prior	NO OH	NO OH	U-2 9WK	U-1 9WK	NO OH	Future	Total
				Years	1999	2000	2001	2002	2003	Years	Direct
PROJECTS < \$100K											
15201		COMMON, BLANKET FOR MISC. CAPITAL COSTS			10						10
47668	RR	COMMON, REPLACE CONVEYOR BELT			64						64
47682	RR	COMMON, REPLACE 8" BOILER DRAIN LINE			62						62
47671	RR	COMMON, REWIND OR REPLACE LARGE MOTORS AND TRANSFORMERS			52						52
47669	RR	COMMON, REWIND BCP MOTORS			50						50
47672	RR	COMMON, PURCHASE SMALL TOOLS			40						40
47703	RR	COMMON, REPLACE SAFETY DEPARTMENT VEHICLE			0						0
47700	RR	COMMON, REPLACE DRAFTING COPIER			17						17
47704	RM	COMMON, UPGRADE CEMS MOISTURE ANALYZER & EDR SOFTWARE			41						41
47681	RM	COMMON, RAISE SEWAGE TREATMENT PLANT OXIDATION POND			33						33
47702	MU	UNIT #2, INSTALL BOTTOM ASH IMAGING SYSTEM			98						98
47674	MU	COMMON, PURCHASE COMPUTER EQUIPMENT			87						87
Moved to O&M		UNIT #1, INSTALL MECHANICAL SEALS ON HOT AIR BLAST GATES			0						0
Moved to O&M		UNIT #2, INSTALL MECHANICAL SEALS ON HOT AIR BLAST GATES			0						0
47699	MU	COMMON, INSTALL PUMP FROM CPRO PONDS TO NORTH EFF POND			44						44
47680	MU	COMMON, REPLACE LOAD CENTER TRANSFORMER			32						32
47701	MU	COMMON, PROVIDE ELECTRICAL POWER TO CPRO PONDS			23						23
47667	MU	COMMON, PURCHASE INTERACTIVE TRAINING SYSTEM			23						23
47673	MU	COMMON, PURCHASE OFFICE EQUIPMENT			6						6
		COMMON, FUTURE YEARS BLANKET PROJECTS				800	800	800	800		3,200
		SUBTOTAL PROJECTS <100K	0	0	682	800	800	800	800	0	3,882
PROJECTS > \$100K											
47553	RR	COMMON, REPLACE 10TH FLOOR ROOF			650						650
47677	RR	COMMON, REPLACE CRAWLER 10			810						810
47670	RR	COMMON, REPLACE MISC PUMPS, MOTORS, VALVES, ETC.			144						144
47675	MU	UNIT #2, REPLACE COOLING TOWER FILL			1,157						1,157
	MU	COMMON, REPLACE EQUIPMENT FOR YEAR 2000 COMPLIANCE			143						143
47678	MU	COMMON, REPLACE FLYASH TRANSPORT SYSTEM CONTROLS			102						102
	RR	COMMON, REPLACE ROOF ON TURB AND DEMIN ROOM				725					725
	RR	COMMON, REPLACE JLG MANLIFT				100					100
	MU	COMMON, REPLACE AUX BOILER CONTROLS				105					105
	RR	UNIT #1, REPLACE COOLING TOWER FILL				1,200					1,200
47482	RR	UNIT #2, REPLACE DISSIMILAR METAL WELDS	x	60			833				893
	RR	UNIT #2, REPLACE PCB TR's	x				600				600
	RR	COMMON, REPLACE DROTT MOBILE CRANE					340				340
	RR	COMMON, REPLACE 930 LOADER					250				250
47531	RR	UNIT #2, REPLACE HYDROGEN COOLERS	x	8			169				177
22896	RR	UNIT #2, REPAIR STRUCTURAL STEEL AND THROAT TUBES	x	163			79				242
	RR	UNIT #2, CRITICAL PIPING REPAIR (REPLACE HRH ELBOWS)	x				750				750
	RM	COMMON, REPLACE CEMS, UNIT #1 & UNIT #2					400				400
	MU	UNIT #2, INSTALL MILL INERTING SYSTEM					900				900
47421	MU	UNIT #2, REWIND GENERATOR (PHASE I, PARTS)	x	4,913							4,913
	MU	UNIT #2, REWIND GENERATOR (PHASE II INSTALLATION)	x				5,956				5,956
47481	MU	UNIT #2, REPLACE GENERATOR ROTOR (PHASE I, PARTS)	x	1,812							1,812
	MU	UNIT #2, REPLACE GENERATOR ROTOR (PHASE II, INSTALLATION)	x				827				827
	RR	UNIT #2, REPLACE AIR PREHEATER BASKETS	x				1,495				1,495
	MU	UNIT #2, REPLACE LODGE PRECIP AVC'S	x				168				168
	MU	UNIT #2, REPLACE #21 AND #22 AUX TURBINE ALARMS	x				115				115
	RR	UNIT #1, CRITICAL PIPING REPAIR (REPLACE HRH ELBOWS)	x					750			750
	RR	UNIT #1, REPLACE PCB TR's	x					600			600
47532	RR	UNIT #1, REPLACE HYDROGEN COOLERS	x	8			169				177
47420	MU	UNIT #1, REWIND GENERATOR	x	13			4,414	6,783			11,210
	MU	UNIT #1, INSTALL MILL INERTING SYSTEM						800			800
	MU	UNIT #1, REPLACE LODGE PRECIP AVC'S	x					168			168
	MU	COMMON, UPGRADE COAL RECLAIM AND GALLERY SYSTEMS						120			120
47651	MU	UNIT #1, REPLACE #11 & #12 AUX TURBINE ALARMS						115			115
	RR	COMMON, REPLACE CAT 627 SCRAPER							922		922
	RR	COMMON, REPLACE D8 CRAWLER							800		800
		SUBTOTAL PLANT PROJECTS <100K		0	682	800	800	800	800	0	3,882
		SUBTOTAL PLANT PROJECTS >100K		6,977	3,008	2,130	17,297	9,605	1,722	0	40,737
		UNFORSEEN		0	0	0	0	0	0	0	3,882
		TOTAL, REGULAR CAPITAL PROJECTS		6,977	3,688	2,930	18,097	10,405	2,522	0	48,601
		CLEAN AIR PROJECTS									
		SCRUBBER AND LOW NOx BURNERS		2,786	7,347	36,145	55,716	64,650	29,386	0	196,029
		TOTAL, CLEAN AIR PROJECTS		2,786	7,347	36,145	55,716	64,650	29,386	0	196,029
		TOTAL, REGULAR PROJECTS		6,977	3,688	2,930	18,097	10,405	2,522	0	44,819
		TOTAL, ALL CAPITAL PROJECTS		9,763	11,035	39,076	73,813	76,055	31,908	0	240,648