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March 31, 2011

MEMORANDUM

TO: Power Committee

FROM: Howard Schwartz

SUBJECT: Update on Centralia Coal-Fired Power Plant

Governor Gregoire issued Executive Order 09-05 in May, 2009 detailing her priorities for meeting Washington's climate change goals. One item in the Executive Order directed the Washington Department of Ecology to

Work with the existing coal-fired plant within Washington that burns over one million tons of coal per year, TransAlta Centralia Generation LLC, to establish an agreed order that will apply the greenhouse gas emissions performance standards in RCW 80.80.040(1) to the facility by no later than December 31, 2025. The agreed order shall include a schedule of major decision making and resource investment milestones;

After negotiations in 2010 failed to produce an agreement, legislation was introduced in the 2011 legislature to pick up where the negotiations ended. The main elements of the legislation are as follows:

1. Requires shutdown of one of the coal boilers by end of 2020, and the second boiler by end of 2025. (I.e., the plant will continue to operate until 2025, with a significant emission reduction secured early, in 2020.)
2. Amends Emission Performance Standard to allow the company to sell this "coal transition power" in Washington through long-term contracts.
3. Requires installation of selective non-catalytic reduction (SNCR) equipment on both boilers by Jan 2013. This will secure additional and early reduction of regional haze pollution.
4. Requires the company to provide funding for community transition/economic development (\$20 million), energy efficiency within the affected communities (\$10 M), and energy technology (to include both carbon and haze) (\$25 M). It also dedicates additional state funding (CERB and P WTF) to the community transition. (Funding is subject to the company keeping its tax break for scrubbers.)
5. Makes the shutdown dates, funding and SNCRs contingent on EPA not requiring the more expensive selective catalytic reduction (SCR) technology for regional haze requirements.
6. Requires the Governor to execute a binding agreement with the company to implement the bill provisions, due by January 2012.

7. Requires the UTC to favorably and fairly consider the long-term purchase of the “coal transition power” by investor-owned utilities while protecting the interests of ratepayers.
8. Requires EFSEC to expedite the processing of new energy facilities within the affected county, until December 2025.
9. Requires the company to prepare a site decommissioning plan the meets Ecology and EFSEC requirements, and provide financial assurance for that plan.

The bill, SB5769, has been amended considerably as it has worked its way through the process and while there seems to be a policy consensus on the overall concept and it is likely the bill will pass, there is still some uncertainty about the final outcome. I will give an update on the status of the bill at the Power Committee meeting and answer any questions about it. For anyone who wants to follow the bill’s legislative history, the link is here:

<http://dlr.leg.wa.gov/billssummary/majmin.aspx?scheduleItemId=17048&legnum=5769&bienId=21&majMin=MAJ>

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