

**Sierra Club * National Parks Conservation Association
Northwest Environmental Defense Center * Environment Washington
Physicians for Social Responsibility * Earth Ministry * NW Energy Coalition
46th Legislative Districts Democrats * Heart of America Northwest**

February 27, 2010

The Hon. Chris Gregoire
Governor
State of Washington
P.O. Box 40002
Olympia, WA 98504-0002

Re: The State's negotiation with TransAlta Centralia Generation L.L.C.

Dear Governor Gregoire:

This letter is a follow-up to conversations with your office regarding the ongoing negotiations with TransAlta Centralia Generation L.L.C. ("TransAlta") on the future of its coal-fired power plant in Centralia, Washington. We applaud your leadership on many significant climate protection initiatives, including the Energy Independence Act (I-937), the emissions performance standard, statutory goals for greenhouse gas reductions, clean car standards and stronger building codes. We are confident that the final agreement with TransAlta on its coal plant will reflect the same commitment to public protection that has been your touchstone.

The TransAlta coal plant is the state's dirtiest single source of pollution and No. 1 emitter of greenhouse gases, toxic mercury and nitrogen oxides. The mercury and climate emissions damage Puget Sound, and the air pollution places a substantial disease burden on our state. In fact, TransAlta is the second-worst coal plant in the country in terms of creating haze in national parks and wilderness areas.

While the State's entire settlement proposal has not been made available to the public, the following details have been disclosed:

- By 2012, TransAlta will increase on-site natural gas output by 250 average megawatts (aMW) and reduce the output from one of its coal-fired boilers by an equal amount.
- By 2018, TransAlta will develop 700 megawatts of renewable energy and retire one of its two coal-fired boilers.
- By 2025, TransAlta will retire the other coal-fired boiler and starts operating a new 700- to 900-megawatt natural gas electricity generation unit.
- The State will seek policy changes to facilitate a market for TransAlta's products.

Given our climate crisis and the public health and visibility issues associated with this coal plant, we continue to oppose the State's proposal to TransAlta for a 2025 transition off of coal. We remain concerned that alternatives – including increased use of available clean energy resources

– have not been adequately explored. We are confident that the state can facilitate a more rapid transition for TransAlta that requires less use of natural gas than has been proposed.

Analyzing all alternatives and scenarios – with emphasis on timing, interim pollution reductions and replacement energy -- is fundamental to the State’s obligations to protect Washington’s citizens and to exercise due diligence on important decisions. The public needs to be informed and included throughout the development of this agreement.

Analyze options

We strongly recommend that the State analyze earlier alternative transition dates than 2025, including the year 2015. Our own preliminary analysis finds no compelling evidence that a 2015 transition cannot be achieved or that 2025 is the best option to protect the public health and welfare. With climate scientists and physicians urging the fastest possible transition to a clean energy economy, it is appropriate for the State to examine the feasibility of a quicker transition.

The State has said it is willing to support TransAlta’s full 2025 transition by helping to explore financing options for a large gas plant, by lining up government buyers for a new TransAlta energy resources, and by changing the State’s emissions performance standard. We urge the State to explore similarly creative ideas to make full transition by 2015 a reality. The solutions must maintain grid stability and reliability, provide just transitions for coal-plant workers, and create clean energy development opportunities for Lewis County.

The complex set of compliance obligations the TransAlta coal plant will soon confront must be addressed in a holistic rather than piecemeal fashion. The fact that the current negotiations resulted from the Climate Change Executive Order should not preclude a comprehensive dialogue on the issues. Concern for public health and the environment may well drive new federal standards for fine particulates, sulfur dioxide, coal combustion waste and coal mining waste. New federal standards on hazardous air pollutants such as hydrochloric acid are expected next year. All of these regulations may apply to TransAlta and should be a part of this conversation.

Inform the public

The past year has featured many large public gatherings across the state addressing climate change and the need for action to reduce greenhouse gas emissions (EPA endangerment hearings, 350 events, etc.). The public is engaged and seeking solutions. We believe more transparent discussion of options with TransAlta will strengthen the State’s negotiating position and help build momentum for a timely resolution.

Given the statewide impact of the coal plant’s pollution, we recommend a set of public hearings across Washington and specifically in Seattle, Vancouver and Spokane.

We are confident that with your leadership we can transition TransAlta off of coal as early as 2015; we can protect the health of our citizens and our natural resources; we can ensure energy reliability and we can support displaced workers while clean energy alternatives create even more jobs. Such a result will be consistent with the Governor’s climate leadership and will

inspire the nation. But to make this powerful vision a reality, the State needs to fully analyze the options and engage the public as soon as possible.

We look forward to working with your office toward such a positive outcome -- for the sake of our climate, public health and tomorrow's clean energy jobs.

Sincerely,

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