

Jean Jewell

From: Gene Fadness
Sent: Wednesday, March 17, 2004 10:30 AM
To: Jean Jewell
Subject: FW: Case PAC-E-04-1 & AVU-E-04-2

Jean,
 Would you please add Mr. Anderson's comments below to the comments he has already submitted in this case.
 Thanks,
 Gene

-----Original Message-----

From: NORMAN E ANDERSON [mailto:normaneanderson@msn.com]
Sent: Tuesday, March 16, 2004 11:09 PM
To: Gene Fadness
Subject: Re: Case PAC-E-04-1 & AVU-E-04-2

Yes, thanks you.

Norman E. Anderson

----- Original Message -----

From: Gene Fadness
To: NORMAN E ANDERSON
Sent: Tuesday, March 16, 2004 9:04 AM
Subject: RE: Case PAC-E-04-1 & AVU-E-04-2

My purpose in responding to you was not to state a position on these petitions, but to answer your question regarding whether PacifiCorp and Avista were the only sellers in this transaction. They are not. Would you like me to add these comments to the comments you've already submitted in this matter?
 Gene Fadness

-----Original Message-----

From: NORMAN E ANDERSON [mailto:normaneanderson@msn.com]
Sent: Sunday, March 14, 2004 12:45 PM
To: Gene Fadness
Cc: Jean Jewell
Subject: Case PAC-E-04-1 & AVU-E-04-2

Dear Mr. Fadness:

Thank you for taking the time to answer my comment on Case PAC-E-04-1. Obviously, in my effort to be brief in my comment, I failed to make my point, so I would ask you to indulge me with a more in-depth comment that is applicable to both of the subject Cases.

First, I would like to point out that the reason I asked, "Why is it that none of the other owners is wanting to sell or close the facility?" is that, if you note, in both of the PUC press releases that were issued for these two cases, no mention was made that any other owner had intentions of selling or closing the facility. They are named, but that is it.

Now to my point that I think it is bad policy for the PUC to approve utilities closing power generating facilities for the sake of making money. Since I work in the railroad industry, I would like to give an illustration of bad policy that I think illustrates why I think selling this facility is a bad idea.

Let's say the railroad mechanical department needs a 6,000 horsepower locomotive consist to move its train, and it currently uses three older 2,000 horsepower units in a locomotive consist to make up the 6,000 hp (3 x 2,000). If these units cost 10 cent per mile to operate and maintain, it cost them 0.30 per mile. If they thought this was too expensive and went to management and the board of directors with a recommendation that they sell these old locomotives to save money, they would probably be thrown out of the office or fired for being short-sighted in selling off assets with no plan on what the railroad would use to pull its trains once the old locomotives were sold. A more likely scenario would have the mechanical department identify that they could purchase two newer, higher horsepower locomotives, let's say 3,000 each that could be operated for 12 cents per mile that would allow the railroad to still operate 6,000 horsepower consists (2 x 3,000) at a saving of 6 cents per mile $\{(3 \times 0.10 = 0.30) - (2 \times 0.12 = 0.24)\}$ With an investment and payback analysis, management would be able to decide if purchasing the new locomotives and selling the old ones made sense. If it didn't, management wouldn't just sell the old locomotives; they would keep them and operate them regardless of cost in order to serve its customers with its transportation service.

Likewise, the PUC ought to be asking Avista and PacifiCorp what they plan to do to continue supplying electricity to its customers rather than just agreeing to let them sell this facility because, in the short term, they can save some money. I think selling assets to make money in the short term is bad policy. If you let them do this for this small project, what's next? Do we wind up with a mess like they did in Montana? Maybe they have addressed the issue, but it wasn't addressed in the press releases.

I still cast my vote against both of these requests.

Regards,

Norman E. Anderson