

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

DOCKET NO. UE-991255
APPLICATION TO SELL THE CENTRALIA POWER PLANT

PREPARED TESTIMONY OF GEORGE PERKS
REPRESENTING AVISTA CORPORATION

1 Q Please state your name, business address and present position with
2 Avista Corporation ("Avista").

3 A My name is George Perks and my business address is East 1411
4 Mission Avenue, Spokane, Washington. I am employed by Avista as
5 Superintendent, Thermal Operations.

6 Q Would you briefly describe your educational and professional
7 background?

8 A I am a graduate of the MEBA Marine Engineering School,
9 Baltimore MD. And also have an A.S. degree in Industrial Education from
10 Centralia College. I have participated in several utility seminars and courses
11 including Electric Utility System Operation, General Electric Large Steam Turbine
12 Seminar and Westinghouse Turbine Users Conferences.

13 Q How long have you been employed by Avista and what are your
14 present duties?

15 A I was first employed by Avista in 1981 as Plant Superintendent of
16 the Kettle Falls Generating Station. I am currently Superintendent, Thermal
17 Operations and am responsible for the ownership representative duties at the
18 Centralia and Colstrip Projects and am the purchaser representative on the Mid-
19 Columbia Projects for Avista.

20 Q What is the scope of your testimony in this proceeding?

21 A I describe the Centralia Power Plant property being sold, the factors
22 leading up to the sale and the terms of the sale.

23 Q Would you please describe the Centralia Power Plant property
24 being sold?

25 A Yes. Avista owns a 15% interest in the Centralia Power Plant, a
26 1340-megawatt, coal-fired plant located near Centralia, Washington. The other
27 seven co-owners and their ownership shares are: PacifiCorp 47.5%, City of Seattle
28 8.0%, City of Tacoma 8.0%, Snohomish PUD 8.0%, Puget Sound Energy 7.0%,
29 Grays Harbor County PUD 4.0%, and Portland General Electric 2.5%. PacifiCorp
30 is the sole owner of the Centralia Mine which supplies coal under a fuel supply
31 agreement to the Centralia Power Plant. Both the Centralia Power Plant and the
32 Centralia Mine are being sold to TECWA Power Inc. ("TECWA") a subsidiary of
33 TransAlta Corporation, headquartered in Calgary, Alberta, Canada.

34 Q Would you please describe the factors leading up to the sale?

35 A Management of Centralia is often difficult due to the fact that there
36 are eight owners with different business reasons for their individual decisions on
37 issues. In years past this was not such a significant problem, but as competition in
38 the market has increased, these differences have become more of a problem. Since
39 capital projects at the plant require unanimous approval of all co-owners, this can
40 lead to difficulty in making decisions. There have been a number of different
41 opinions among the co-owners regarding continued operation of the plant and the
42 installation of emission control equipment. In October 1998 the co-owners put the
43 Centralia Power Plant and the Centralia Mine up for auction. The co-owners

1 believed that a single owner, emerging from the auction, could deal most effectively
2 with the issues pertaining to continued operation of the plant and the mine. Mr.
3 Ely, a previous Avista witness, addresses the selection of TECWA as the winning
4 purchaser.

5 Q Would you please generally describe the terms of the sale?

6 A Yes. TECWA has agreed to pay \$454,698,000 for the Centralia
7 Power Plant. Avista's 15% share amounts to \$68,204,700. The purchase price is
8 reduced by \$2,100,000 for employee benefit obligations with Avista's 15% share
9 amounting to \$315,000. The purchase price is further reduced by the amount of
10 expected reclamation accruals with Avista's share amounting to \$8,610,000. In
11 addition, TECWA will be purchasing the supplies inventory and the coal inventory.
12 TECWA will reimburse the owners for plant additions which occur subsequent to
13 May 31, 1999. TECWA will also reimburse the owners for costs incurred for the
14 installation of emission control equipment.

15 Q What factors will affect the amount of proceeds Avista is to receive
16 as a result of the sale to TECWA?

17 A Avista's share of the proceeds is subject to an adjustment which will
18 be determined based on what PacifiCorp's actual breakeven price of the mine turns
19 out to be in comparison to the sales price of the mine. Coal inventory is being
20 purchased at a price determined by the cost of the last 100,000 tons of coal
21 delivered by rail adjusted by the heating value of the coal in inventory delivered
22 from the mine. The closing date of the sale will also affect the gain as depreciation
23 will continue to be accrued during the period of time Avista continues to own the
24 plant.

25 Q What is the termination date for closing contained in the contract
26 with TECWA?

27 A The termination date for closing as contained in Section 11.1(d) is
28 twelve months from the May 6, 1999 signing of the contract or May 5, 2000.

29 Q Is there also an option to terminate the contract in the case that
30 timely orders are not issued approving the sale?

31 A Yes. Section 11.1(b) of the contract allows for termination if
32 regulatory approvals are not received within 180 days of filing. In its Application
33 in this proceeding Avista has requested expedited treatment for approval of the sale.
34 Avista requests that the Commission approve the sale as soon as possible.

35 Q Does that conclude your direct testimony in this proceeding?

36 A Yes, it does.