

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	04/20/2009
CASE NO:	UE-090134 & UG-090135	WITNESS:	Richard L. Storro
REQUESTER:	Public Counsel	RESPONDER:	John Lyons, Ph.D.
TYPE:	Data Request	DEPT:	Energy Resources
REQUEST NO.:	PC - 094	TELEPHONE:	(509) 495-8515
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REQUEST:

Provide the following information regarding the sale of Avista Energy to Coral Energy, discussed at page 9, lines 17-19 of the Direct Testimony of Richard L. Storro:

- a) Provide any and all analyses or summaries of the sale that were presented internally within Avista, to Avista's Board of Directors, to Coral Energy and its business partners (if any), to ratings agencies and investors, and to other potentially-interested parties about the sale of Avista Energy to Coral Energy.
- b) Provide the contract, including all amendments and related documents, under which Avista sold Avista Energy to Coral Energy.
- c) Provide the offers, counter-offers, and related communications that Avista and Coral Energy exchanged during the negotiation of the sale of Avista Energy to Coral Energy.
- d) ~~Unless provided in sub-part 'a' above, provide any and all analyses or summaries of the sale that were presented internally within Avista, to Avista's Board of Directors, to Coral Energy and its business partners (if any), to ratings agencies and investors, and to other potentially-interested parties about the acquisition of rights to the Lancaster PPA from Coral Energy by Avista Utilities.~~
- e) Unless provided in response to sub-part 'b' above, provide the contract, including all amendments and related documents, under which "rights to the Lancaster PPA" were to be made available by Coral Energy to Avista Utilities.
- f) Unless provided in response to sub-part 'c' above, provide the offers, counter-offers, and related communications that Avista and Coral Energy exchanged during the negotiation of Coral Energy's provision to Avista Utilities of the "rights to the Lancaster PPA".
- g) State whether any of the offers, counter-offers, and related communications that Avista and Coral Energy exchanged during the negotiation of the sale of Avista Energy to Coral Energy also contained any offers, counter-offers, or related communications regarding Coral Energy's provision to Avista Utilities of the "rights to the Lancaster PPA".

RESPONSE:

Please refer to "PC_DR_094 Attachment A" which contains an organizational chart and the following narrative description regarding the sale of Avista Energy to Coral Energy and subsequent assignment of the Lancaster PPA.

Rathdrum Power, LLC is party to a power purchase agreement (PPA) as seller for the entire output of the Lancaster facility with Avista Energy as the purchaser. The PPA is dated December 10, 1998. Avista Energy's rights and obligations under the PPA were assigned to Avista Turbine Power, Inc. under an

assignment and assumption agreement dated June 11, 1999. The PPA has been amended four times under amendments dated June 23, 1999, December 28, 1999, March 2, 2001 and October 9, 2001. Avista Turbine Power remains the purchaser under the PPA and is the party entitled to the electric output of the Lancaster plant under the terms of the PPA.

On June 15, 2000, Avista Turbine Power and Avista Energy entered into a PPA under which Avista Turbine Power agreed to allow Avista Energy to exercise Avista Turbine Power's rights under the PPA with Rathdrum Power. Both agreements continued to operate in back-to-back fashion, with Avista Turbine Power as the counter-party to Rathdrum Power as seller and Avista Energy as purchaser.

In connection with the sale of Avista Energy's business to Coral Power and affiliates of Coral Power, the PPA between Avista Turbine Power and Avista Energy was terminated. In its place, Avista Turbine Power and Coral Power entered into an energy conversion agreement dated June 30, 2007. Like the prior back-to-back arrangement, the energy conversion agreement allowed Coral Power to exercise Avista Turbine Power's rights under the PPA with Rathdrum Power. Both the PPA with Rathdrum Power and the energy conversion agreement continued to operate with Avista Turbine Power as the counter-party to Rathdrum Power as seller and Coral Power as purchaser. Unlike the second PPA with Avista Energy, the energy conversion agreement was for a limited term that expires on December 31, 2009.

Upon the expiration of the energy conversion agreement, Avista Turbine Power will still be the counterparty under the PPA with Rathdrum Power and will still be the party entitled to the electric output of the Lancaster facility under the PPA with Rathdrum Power.

- a). Please refer to Avista's **CONFIDENTIAL** response to data request no. PC-094C for Board meeting minutes and a ratings agency presentation that were made regarding the Avista Energy sale. Please note that Avista's response to PC-094C is **CONFIDENTIAL** per Protective Order in WUTC Dockets UE-090134 and UG-090135 and by WAC 480-07-160. "PC_DR_094 Attachment C" contains the 2007 Form-10K for Avista Corporation which covers the Avista Energy sale. Due to the voluminous nature of the attached document, it is being provided in electronic format only.
- b). Please refer to Avista's **CONFIDENTIAL** response to data request no. PC-094C for a copy of the contract, including all relevant amendments and related documents, under which Avista sold Avista Energy to Coral Energy.
- c). Please refer to Avista's **CONFIDENTIAL** response to data request no. PC-094C for a copy of the term sheet used for the negotiations to sell Avista Energy to Coral Energy.
- d). The temporary assignment of rights to the Lancaster PPA to Coral Energy are covered in the requested documents and were provided in sub-part 'a' above.
- e). Coral Energy is not making the "rights to the Lancaster PPA" available to Avista Utilities." As explained above and shown in "PC_DR_094 Attachment A", Coral Energy only has a temporary right to the output of the Lancaster PPA from Avista Turbine Power.
- f). This information was provided in sub-part 'c' above.
- g). The only "rights to the Lancaster PPA" that were exchanged were the rights temporarily assigned to Coral Energy from Avista Turbine Power from June 30, 2007 through December 31, 2009.

