

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-100467

SUPPLEMENTAL DIRECT TESTIMONY OF

ROBERT J. LAFFERTY

REPRESENTING AVISTA CORPORATION

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**I. INTRODUCTION**

**Q. Please state your name, employer and business address.**

A. My name is Robert J. Lafferty. I am employed as the Director of Power Supply at Avista Corporation, located at 1411 East Mission Avenue, Spokane, Washington.

**Q. Have you previously provided direct testimony in this case?**

A. Yes. My testimony (Exhibit No. \_\_(RJL-1T)) covered the Lancaster Power Purchase Agreement and the associated natural gas transportation and electric transmission agreements, the customer benefits and prudence of this baseload resource acquisition, and the request for a determination that the Lancaster Power Purchase Agreement complies with the emissions performance standard under RCW Chapter 80.80. Since January 1, 2010, Avista Utilities and its customers have been receiving the benefits of the Lancaster PPA, through a power purchase agreement with Avista Turbine Power.

**Q. What is the scope of your supplemental testimony in this proceeding?**

A. As I stated in my direct testimony, Exhibit No.\_\_(RJL-1T), at page 8, lines 12-21, Avista Turbine Power and Avista Corporation are in the process of securing a consent in order to allow Avista Turbine Power to directly assign the underlying power purchase agreement to Avista Corporation, and remove Avista Turbine Power entirely from the middle of this arrangement. This step was also reflected in the illustrative schematic included as Exhibit No.\_\_(RJL-3, Section A). The Joint Consent and Termination agreement, which was recently executed<sup>1</sup>, would allow Avista Turbine Power, through an Assignment and Assumption

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<sup>1</sup> Rathdrum Power, LLC met their required threshold for lender approvals through those signatures shown in Exhibit No.\_\_(RJL-7), even though not all of the lenders provided signatures.

1 Agreement (Assignment), to assign its entire interest in the Lancaster PPA to Avista Corporation,  
2 dba Avista Utilities. This Consent and Assignment removes Avista Turbine Power as an  
3 intermediary and makes the Utility the direct counterparty to Rathdrum Power under the  
4 Lancaster PPA. The Consent and Assignment does not otherwise change the substantive  
5 commercial terms of the existing agreement, but does remove the complexity involved with  
6 having Avista Turbine Power as an intermediary, as the utility continues to exercise its rights and  
7 obligations under the Lancaster PPA. Exhibit No. \_\_(RJL-7) contains an executed copy of the  
8 Joint Consent and Termination agreement, including the agreed-upon form of the Assignment  
9 and Assumption agreement which is attached as Exhibit A to the Consent, all of which has also  
10 been submitted to the Commission as part of the Company's Supplemental Affiliated Interest  
11 filing in Docket UE-091902, made on April 13, 2010.

12 **Q. Would you elaborate on why Avista is proceeding with the Consent and**  
13 **Assignment?**

14 A. Yes. Under the current back-to-back structure (i.e., the RP-ATP PPA together  
15 with the Lancaster PPA), there are certain contractual obligations (e.g. billing and payment  
16 functions, maintenance scheduling, budget procedures) that continue to run through Avista  
17 Turbine Power as an intermediary between Avista Corporation and Rathdrum Power. While the  
18 parties have collectively managed the relationship to avoid unnecessary inconvenience, the back-  
19 to-back structure does result in certain administrative inefficiencies as the parties interact with  
20 respect to these contractual obligations. By assigning the RP-ATP PPA directly to Avista  
21 Corporation as counterparty to Rathdrum Power, and terminating the Lancaster PPA, Avista  
22 Turbine Power's role as intermediary will end and all contractual rights and obligations will run

1 directly between Avista Corporation and Rathdrum Power. The direct contractual relationship  
2 will allow the parties to streamline their contractual relationships to match the parties actually  
3 involved in the dispatch and operation of the Lancaster Project.

4 **Q. Are you sponsoring any exhibits?**

5 A. Yes. I am sponsoring Exhibit No. \_\_(RJL-7) which is a copy of the Consent and  
6 Assignment agreements that were included as part of the April 13, 2010 Supplemental Affiliated  
7 Interest filing in Docket UE-091902.

8 **Q. Does this conclude your supplemental direct testimony?**

9 A. Yes it does.