



**Transmission Services**  
**Avista Corporation**  
1411 E Mission Avenue  
Spokane, WA 99202

June 30, 2016

**Via Electronic Filing**

Hon. Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

RE: **Avista Corporation, Docket No. ER16-\_\_\_\_\_**  
**FERC Electric Tariff Volume No. 8 – Ancillary Service Schedules 3, 3A, 5 and 6**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d and Part 35 of the Federal Energy Regulatory Commission's ("Commission") regulations, 18 C.F.R. Part 35, Avista Corporation ("Avista") hereby submits revisions to its Open Access Transmission Tariff FERC Electric Tariff Volume No. 8 ("Tariff") – Schedules 3, 3A, 5, and 6 (collectively, the "Schedules"). The cost of capacity that Avista currently uses for its ancillary service rates in the Schedules was originally accepted by the Commission in 1996 in Docket No. OA96-162-000. Avista proposes to revise the ancillary services rates in the Schedules to reflect changes to Avista's resource portfolio and reflect actual costs of capacity. Avista respectfully requests that the Commission accept the revised Schedules for filing to be effective on September 1, 2016.

**I. Communications**

All communications regarding this filing should be directed to the following individuals:

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## II. Background and Description of Filing

Avista is a corporation created and organized under the laws of the State of Washington, with its principal office in Spokane, Washington. Avista is an investor-owned utility engaged in, among other things, the business of generating, transmitting, and distributing electric power to its bundled retail native load customers and transmitting electric power on behalf of third parties.

The cost of capacity that Avista currently uses was originally accepted by the Commission in 1996 as part of Avista's original open access transmission tariff compliance filing in Docket No. OA96-162-000. Since that time, Avista has made significant investment in its long-standing resources and added a number of new resources that contribute to the provision of ancillary services, including Avista's Coyote Springs 2, Boulder Park, and Kettle Falls combustion turbine. As a result of these changes to Avista's resource portfolio, it is now appropriate to update Avista's ancillary services rates to reflect the actual costs of capacity.

Avista's generation facilities that are used for the provision of ancillary services for its transmission customers are included in rate base in retail rates in each of the states in which Avista provides retail electrical service. However, to the extent that these generation facilities are operating in a manner to support the use of the transmission system, appropriate costs associated with ancillary services provided by such generation should be borne by Avista's transmission customers. This filing updates Avista's ancillary service rates to more appropriately reflect Avista's cost of capacity and, therefore, appropriately allocate the cost of operating those generating facilities to the transmission customers for which the ancillary services are being provided. All revenue collected from transmission customers for ancillary services under Avista's Open Access Transmission Tariff is included as a credit to retail customers.

Avista currently has a single rate that applies to all of the Schedules. However, different resources are used to provide different types of ancillary services. Accordingly, to more accurately reflect the actual cost of providing the specific ancillary service, Avista is proposing two different rates. Specifically, Avista proposes a rate of \$12.83 per kW for providing Regulation and Frequency Response Service, Generator Regulation and Frequency Response Service, and Spinning Reserve Service under Schedules 3, 3A, and 5 respectively ("Rate 1"). This rate is based on the cost of capacity for units that are likely to be running and can provide either frequency response or intra-hour following (regulation) or are operated as Spinning Reserve. Avista proposes a rate of \$11.82 per kW for providing Supplemental (Non-Spinning) Reserve Service under Schedule 6 ("Rate 2"). This rate is based on the cost of capacity for those units that are included in Rate 1 with the addition of units that are normally available for non-spinning reserve.

The cost of capacity that Avista is proposing is based on (1) generating resources that are directly owned by the company and (2) contract purchases from the Mid-Columbia resources over which Avista has the ability to dispatch or operate under Automatic Generation Control ("AGC"). All of the capacity numbers used to calculate Avista's cost of capacity are from numbers published in Avista's 2015 Integrated Resource Plan. All unit costs that are used to calculate Avista's cost of capacity are from Avista's 2014 FERC Form 1. With the exception of

excluding one resource that was sold and including three resources that have been acquired or constructed since Avista's original rate filing in OA96-162-000, the proposed ancillary services resource portfolio included in this filing is the same as the portfolio accepted by the Commission in Avista's original 1996 filing.

In developing the appropriate costs and units to be included in Rate 1, Avista included all of its hydro facilities that exist within its generation portfolio. All of these generation facilities (listed on Attachment A-1 and included in the Hydro Subtotal tabulation) are operated such that they respond to fluctuations in frequency and required generation output, allowing them to support system frequency and provide Regulation Response. These resources are also operated in a manner which makes them available to meet Avista's Spinning Reserve obligations. In the case of Avista's thermal resources, Avista has chosen to only include those units that are likely to be running and which will also respond to fluctuations in frequency and required generation output, allowing them to support system frequency and provide Regulation Response or used to provide Spinning Reserve. From Avista's full portfolio of thermal generation facilities (listed on Attachment A-2 and included in the Thermal Subtotal tabulation), a number of units have been excluded. Those thermal resources are normally not operating in a manner that can provide Regulation Service or are not available as Spinning Reserve.

In developing the appropriate costs and units to be included in Rate 2, Avista included all of its hydro facilities that exist within its generation portfolio consistent with the reasons those units were included in Rate 1 with the addition that these units can also be used as Supplemental (Non-Spinning) Reserve Service. In the case of Avista's thermal resources, it is appropriate to include Avista's full portfolio of thermal generation facilities (listed on Attachment A-2 and included in the Thermal Subtotal tabulation) as these units are all available to operate to meet Supplemental (Non-Spinning) Operating Reserve obligations. In addition to those resources included in Rate 1, the additional units are available to be used for Supplemental Reserve Service and are often key to Avista's ability to provide that service. The inclusion of these additional units in Rate 2 lead to a rate differential between Rate 1 and Rate 2.

In summary, the resources included in the development of Rate 1 and Rate 2 are the same resources as those accepted by the Commission in Avista's original filing in OA96-162-000, with the following changes:

Included in Current Rates; Excluded in Proposed Rates

Centralia Steam (sold – no longer a part of Avista's resource portfolio)

Not Included in Current Rates; Included in Proposed Rates

Coyote Springs II (acquired June 2003)

Boulder Park (in-service November 2002) – only available for non-spinning reserves

Kettle Falls CT (in-service August 2002) – only available for non-spinning reserves

While the calculation method submitted herein is the same as the method used in Avista's original filing in OA96-162-000, Avista is incorporating one significant change as a result of its pre-filing discussions with its primary transmission customer, the Bonneville Power Administration ("BPA"). In developing the applicable costs associated with the Mid-Columbia resources, Avista has agreed to only include an allocated portion of its Mid-Columbia purchase costs. Historically, and at the time Avista made its original filing, its Mid-Columbia purchase

contracts were based upon the actual annual costs of the Mid-Columbia resources (amortized investment and annual operating and maintenance expense), representing a true “ownership type share” of the projects. Following expiration of these original 50-year contracts, Avista’s follow-on purchase agreements, while giving similar operating rights, incorporate market-based pricing. While Avista respectfully asserts that it would be appropriate to include the full costs of its purchase contracts in determining its cost of capacity rates, Avista has agreed to submit only an allocated portion of its Mid-Columbia purchase costs as a result of its discussions with BPA. This revised approach reduces Avista’s proposed Rate 1 and Rate 2 by \$0.59 and \$0.52, respectively.

### **III. Effective Date, Waiver and Service**

Avista has taken the time to work collaboratively with its affected customers, most notably BPA. While originally intending to make this filing in April, Avista shared the full detail of its filing with BPA and worked collaboratively over the course of several weeks with BPA to review and incorporate minor adjustments to the filing as well as the significant adjustment outlined above. Following this review and having no substantive issues raised by this or other customers, Avista respectfully requests that the Commission accept the proposed Schedules for filing with an effective date of September 1, 2016. Avista requests waiver of the requirements of Part 35 of the Commission’s regulations, including any notice requirements, to the extent necessary for the Commission to accept the revisions with the requested September 1, 2016 effective date. A copy of this filing is being provided to each of Avista’s affected transmission customers and will be posted on the Avista Open Access Same-time Information System (“OASIS”).

### **IV. Materials Submitted**

Pursuant to the Commission’s regulations, Avista submits the following documents:

1. This transmittal letter
2. Tariff Section – Schedule 3 (clean and redline)
3. Tariff Section – Schedule 3A (clean and redline)
4. Tariff Section – Schedule 5 (clean and redline)
5. Tariff Section – Schedule 6 (clean and redline)
6. Supporting Documentation – Attachment A-1 (Schedule 3, 3A, and Schedule 5)
7. Supporting Documentation – Attachment A-2 (Schedule 6)
8. Supporting Documentation – Attachment B (Calculation of Fixed Charge Rate for 35-Year Term)
9. Supporting Documentation – Attachment C-1 (Total Plant Investment Costs)
10. Supporting Documentation – Attachment C-2 (Total Fixed O&M Costs)
11. Supporting Documentation – Attachment D (Allocation of Mid-Columbia Purchases)
12. Supporting Documentation – Attachment E (Allocation of Property Insurance Premium)
13. Supporting Documentation – Revised Cost of Capacity Rate Impact by Transmission Customer

## V. Conclusion

Based on the foregoing, Avista respectfully requests that the Commission accept the Schedules with an effective date of September 1, 2016.

Sincerely,

/s/ J. A. Schlect

Jeff Schlect  
Senior Manager, Transmission Services

### SCHEDULE 3 Regulation and Frequency Response Service

Regulation and Frequency Response Service is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled interconnection frequency at sixty cycles per second (60 Hz). Regulation and Frequency Response Service is accomplished by committing on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) and by other non-generation resources capable of providing this service as necessary to follow the moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the Transmission Provider (or the Control Area operator that performs this function for the Transmission Provider). The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Regulation and Frequency Response Service obligation. The Transmission Provider will take into account the speed and accuracy of regulation resources in its determination of Regulation and Frequency Response reserve requirements, including as it reviews whether a self-supplying Transmission Customer has made alternative comparable arrangements. Upon request by the self-supplying Transmission Customer, the Transmission Provider will share with the Transmission Customer its reasoning and any related data used to make the determination of whether the Transmission Customer has made alternative comparable arrangements. The Transmission Provider shall not be responsible for any costs to provide any required metering and communication equipment to facilitate the provision of this service to the Transmission Customer by either the Transmission Provider or any other party. The amount of and charges for Regulation and Frequency Response Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator. The Transmission Provider may charge a Transmission Customer under either Schedule 3 or Schedule 3-A for the regulation and frequency response burden imposed by the Transmission Customer, but not both.

#### Regulation and Frequency Response Service

- (A) The Transmission Customer's load demand at each of the Points of Delivery within the Transmission Provider's Control Area will be metered at ten-minute integrated intervals. Only those intervals where the Transmission Customer's total load demand within the Transmission Provider's Control Area is greater than the scheduled load demand for the given hour will be used to determine the Transmission Customer's charge pursuant to this Schedule. The largest difference between ten-minute demand recordings and the hourly scheduled demand during a given month shall be the Transmission Customer's monthly Peak Load Fluctuation. The sum of the monthly Peak Load Fluctuations for all Transmission Customers receiving Regulation and Frequency Response Service under the Tariff shall be the monthly Peak Non-Coincident Load Fluctuation.

The sum of the differences between ten-minute integrated demand recordings and hourly scheduled demands for all Transmission Customers receiving Regulation and Frequency Response Service for each ten-minute interval shall determine the Peak Coincident Load Fluctuation for that ten-minute interval, thus accommodating all Transmission Customers' Regulation and Frequency Response Service diversity. The maximum Peak Coincident Load Fluctuation during a given month shall be used to determine the monthly revenue requirement for this service.

The Transmission Customer's Regulation and Frequency Response Service obligation shall be the ratio of the Transmission Customer's monthly Peak Load Fluctuation to the monthly Peak Non-Coincident Load Fluctuation, multiplied by the monthly Peak Coincident Load Fluctuation:

$$\begin{array}{rcccl} \text{Regulation} & & \text{Transmission Customer's monthly} & & \\ \text{and Frequency} & & \text{Peak Load Fluctuation} & & \\ \text{Response} & = & \text{-----} & \times & \text{monthly Peak} \\ \text{Service} & & \text{monthly Peak Non-Coincident} & & \text{Coincident} \\ \text{Obligation} & & \text{Load Fluctuation for all customers} & & \text{Load Fluctuation} \\ & & & & \text{for all customers} \end{array}$$

- (B) In order to facilitate service under Schedule 3 at a reduced cost impact to Transmission Customer in the event available metering facilities at the Points of Delivery do not provide the necessary functionality to calculate applicable billing determinants under (A) above, the Parties may agree to use the following billing determinant in lieu of the methodology described in (A). Alternatively, the monthly Regulation and Frequency Response Service obligation shall be 2.0% of Transmission Customer's monthly peak Network Load.
- (C) The Transmission Customer shall compensate the Transmission Provider at the monthly rate for Regulation and Frequency Response Service applied to the Transmission Customer's monthly Regulation and Frequency Response Service obligation. The monthly rate for Regulation and Frequency Response Service shall be no greater than \$12.83 per kW.

## Avista Corporation - FERC Electric Tariff Volume No. 8

**SCHEDULE 3-A  
Generator Regulation and Frequency Response Service**

Generator Regulation and Frequency Response Service is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled interconnection frequency at sixty cycles per second (60 Hz). Generator Regulation and Frequency Response Service is accomplished by committing on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) and by other non-generation resources capable of providing this service as necessary to follow the moment-by-moment changes for a generator located within the Control Area. The obligation to maintain this balance between resources and the generator's schedule lies with the Transmission Provider (or the Control Area operator that performs this function for the Transmission Provider). For a generator located within the Control Area, the Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Generator Regulation and Frequency Response Service obligation. The Transmission Provider shall not be responsible for any costs to provide any required metering and communication equipment to facilitate the provision of this service to the Transmission Customer by either the Transmission Provider or any other party. The amount of and charges for Generator Regulation and Frequency Response Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator. The Transmission Provider may charge a Transmission Customer under either Schedule 3 or Schedule 3-A for the regulation and frequency response burden imposed by the Transmission Customer, but not both.

Generator Regulation and Frequency Response Service

- (A) The monthly Generator Regulation and Frequency Response Service obligation shall be 2.0% of the Transmission Customer's generator capacity.
- (B) The Transmission Customer shall compensate the Transmission Provider at the monthly rate for Generator Regulation and Frequency Response Service applied to the Transmission Customer's monthly Generator Regulation and Frequency Response Service obligation. The monthly rate for Generator Regulation and Frequency Response Service shall be no greater than \$12.83 per kW.



## SCHEDULE 5

### Operating Reserve - Spinning Reserve Service

Spinning Reserve Service is needed to immediately serve load in the Control Area (other than load supplied by firm imports for which the reserve capacity is provided by the supplier) and to support firm generation exports from the Control Area in the event of a system contingency. Spinning Reserve Service may be provided by generating units that are on-line and loaded at less than maximum output and by non-generation resources capable of providing this service. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area and to support firm sales from generators located within the Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Spinning Reserve Service obligation. The Transmission Customer's Spinning Reserve Service obligation shall be consistent with North American Electric Reliability Corporation and Western Electricity Coordinating Council Operating Criteria. The amount of and charges for Spinning Reserve Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

#### Operating Reserve - Spinning Reserve Service

- (A) The Transmission Customer's monthly Spinning Reserve Service obligation for all transmission service purchased under the Tariff shall be the sum of:
  - (i) 1.5% of the sum of the Transmission Customer's monthly peak hourly integrated Network Load within the Transmission Provider's Control Area and monthly Reserved Capacity at Points of Delivery within the Transmission Provider's Control Area, and
  - (ii) 1.5% of the Transmission Customer's monthly peak hourly integrated generation capacity located within or dynamically scheduled to the Transmission Provider's Control Area, for which transmission service is being provided under the Tariff.
  
- (B) The Transmission Customer shall compensate the Transmission Provider at the monthly rate for Spinning Reserve Service applied to the Transmission Customer's monthly Spinning Reserve Service obligation. The monthly rate for Spinning Reserve Service shall be no greater than \$12.83 per kW.

**SCHEDULE 6**  
**Operating Reserve - Supplemental Reserve Service**

Supplemental Reserve Service is needed to serve load in the Control Area (other than load supplied by firm imports for which the reserve capacity is provided by the supplier) and to support firm generation exports from the Control Area in the event of a system contingency; however, it is not available immediately to serve load or support generation exports but rather within a short period of time. Supplemental Reserve Service may be provided by generating units that are on-line but unloaded, by quick-start generation or by interruptible load or other non-generation resources capable of providing this service. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area and to support firm sales from generators located within the Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Supplemental Reserve Service obligation. The Transmission Customer's Supplemental Reserve Service obligation shall be consistent with North American Electric Reliability Corporation and Western Electricity Coordinating Council Operating Criteria. The amount of and charges for Supplemental Reserve Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

Operating Reserve - Supplemental Reserve Service

- (A) The Transmission Customer's monthly Supplemental Reserve Service obligation for all transmission service purchased under the Tariff shall be the sum of:
  - (i) 1.5% of the sum of the Transmission Customer's monthly peak hourly integrated Network Load within the Transmission Provider's Control Area and monthly Reserved Capacity at Points of Delivery within the Transmission Provider's Control Area, and
  - (ii) 1.5% of the Transmission Customer's monthly peak hourly integrated generation capacity located within or dynamically scheduled to the Transmission Provider's Control Area, for which transmission service is being provided under the Tariff.
  
- (B) The Transmission Customer shall compensate the Transmission Provider at the monthly rate for Supplemental Reserve Service applied to the Transmission Customer's monthly Supplemental Reserve Service obligation. The monthly rate for Supplemental Reserve Service shall be no greater than \$11.82 per kW.

### SCHEDULE 3 Regulation and Frequency Response Service

Regulation and Frequency Response Service is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled interconnection frequency at sixty cycles per second (60 Hz). Regulation and Frequency Response Service is accomplished by committing on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) and by other non-generation resources capable of providing this service as necessary to follow the moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the Transmission Provider (or the Control Area operator that performs this function for the Transmission Provider). The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Regulation and Frequency Response Service obligation. The Transmission Provider will take into account the speed and accuracy of regulation resources in its determination of Regulation and Frequency Response reserve requirements, including as it reviews whether a self-supplying Transmission Customer has made alternative comparable arrangements. Upon request by the self-supplying Transmission Customer, the Transmission Provider will share with the Transmission Customer its reasoning and any related data used to make the determination of whether the Transmission Customer has made alternative comparable arrangements. The Transmission Provider shall not be responsible for any costs to provide any required metering and communication equipment to facilitate the provision of this service to the Transmission Customer by either the Transmission Provider or any other party. The amount of and charges for Regulation and Frequency Response Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator. The Transmission Provider may charge a Transmission Customer under either Schedule 3 or Schedule 3-A for the regulation and frequency response burden imposed by the Transmission Customer, but not both.

#### Regulation and Frequency Response Service

- (A) The Transmission Customer's load demand at each of the Points of Delivery within the Transmission Provider's Control Area will be metered at ten-minute integrated intervals. Only those intervals where the Transmission Customer's total load demand within the Transmission Provider's Control Area is greater than the scheduled load demand for the given hour will be used to determine the Transmission Customer's charge pursuant to this Schedule. The largest difference between ten-minute demand recordings and the hourly scheduled demand during a given month shall be the Transmission Customer's monthly Peak Load Fluctuation. The sum of the monthly Peak Load Fluctuations for all Transmission Customers receiving Regulation and Frequency Response Service under the Tariff shall be the monthly Peak Non-Coincident Load Fluctuation.

The sum of the differences between ten-minute integrated demand recordings and hourly scheduled demands for all Transmission Customers receiving Regulation and Frequency Response Service for each ten-minute interval shall determine the Peak Coincident Load Fluctuation for that ten-minute interval, thus accommodating all Transmission Customers' Regulation and Frequency Response Service diversity. The maximum Peak Coincident Load Fluctuation during a given month shall be used to determine the monthly revenue requirement for this service.

The Transmission Customer's Regulation and Frequency Response Service obligation shall be the ratio of the Transmission Customer's monthly Peak Load Fluctuation to the monthly Peak Non-Coincident Load Fluctuation, multiplied by the monthly Peak Coincident Load Fluctuation:

$$\begin{array}{rcccl} \text{Regulation} & & \text{Transmission Customer's monthly} & & \\ \text{and Frequency} & & \text{Peak Load Fluctuation} & & \\ \text{Response} & = & \text{-----} & \times & \text{monthly Peak} \\ \text{Service} & & \text{monthly Peak Non-Coincident} & & \text{Coincident} \\ \text{Obligation} & & \text{Load Fluctuation for all customers} & & \text{Load Fluctuation} \\ & & & & \text{for all customers} \end{array}$$

- (B) In order to facilitate service under Schedule 3 at a reduced cost impact to Transmission Customer in the event available metering facilities at the Points of Delivery do not provide the necessary functionality to calculate applicable billing determinants under (A) above, the Parties may agree to use the following billing determinant in lieu of the methodology described in (A). Alternatively, the monthly Regulation and Frequency Response Service obligation shall be 2.0% of Transmission Customer's monthly peak Network Load.
- (C) The Transmission Customer shall compensate the Transmission Provider at the monthly rate for Regulation and Frequency Response Service applied to the Transmission Customer's monthly Regulation and Frequency Response Service obligation. The monthly rate for Regulation and Frequency Response Service shall be no greater than \$8.9412.83 per kW.

## Avista Corporation - FERC Electric Tariff Volume No. 8

**SCHEDULE 3-A  
Generator Regulation and Frequency Response Service**

Generator Regulation and Frequency Response Service is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled interconnection frequency at sixty cycles per second (60 Hz). Generator Regulation and Frequency Response Service is accomplished by committing on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) and by other non-generation resources capable of providing this service as necessary to follow the moment-by-moment changes for a generator located within the Control Area. The obligation to maintain this balance between resources and the generator's schedule lies with the Transmission Provider (or the Control Area operator that performs this function for the Transmission Provider). For a generator located within the Control Area, the Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Generator Regulation and Frequency Response Service obligation. The Transmission Provider shall not be responsible for any costs to provide any required metering and communication equipment to facilitate the provision of this service to the Transmission Customer by either the Transmission Provider or any other party. The amount of and charges for Generator Regulation and Frequency Response Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator. The Transmission Provider may charge a Transmission Customer under either Schedule 3 or Schedule 3-A for the regulation and frequency response burden imposed by the Transmission Customer, but not both.

Generator Regulation and Frequency Response Service

- (A) The monthly Generator Regulation and Frequency Response Service obligation shall be 2.0% of the Transmission Customer's generator capacity.
- (B) The Transmission Customer shall compensate the Transmission Provider at the monthly rate for Generator Regulation and Frequency Response Service applied to the Transmission Customer's monthly Generator Regulation and Frequency Response Service obligation. The monthly rate for Generator Regulation and Frequency Response Service shall be no greater than \$8.9412.83 per kW.

## SCHEDULE 5

### Operating Reserve - Spinning Reserve Service

Spinning Reserve Service is needed to immediately serve load in the Control Area (other than load supplied by firm imports for which the reserve capacity is provided by the supplier) and to support firm generation exports from the Control Area in the event of a system contingency. Spinning Reserve Service may be provided by generating units that are on-line and loaded at less than maximum output and by non-generation resources capable of providing this service. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area and to support firm sales from generators located within the Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Spinning Reserve Service obligation. The Transmission Customer's Spinning Reserve Service obligation shall be consistent with North American Electric Reliability Corporation and Western Electricity Coordinating Council Operating Criteria. The amount of and charges for Spinning Reserve Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

#### Operating Reserve - Spinning Reserve Service

- (A) The Transmission Customer's monthly Spinning Reserve Service obligation for all transmission service purchased under the Tariff shall be the sum of:
- (i) 1.5% of the sum of the Transmission Customer's monthly peak hourly integrated Network Load within the Transmission Provider's Control Area and monthly Reserved Capacity at Points of Delivery within the Transmission Provider's Control Area, and
  - (ii) 1.5% of the Transmission Customer's monthly peak hourly integrated generation capacity located within or dynamically scheduled to the Transmission Provider's Control Area, for which transmission service is being provided under the Tariff.
- (B) The Transmission Customer shall compensate the Transmission Provider at the monthly rate for Spinning Reserve Service applied to the Transmission Customer's monthly Spinning Reserve Service obligation. The monthly rate for Spinning Reserve Service shall be no greater than \$8.9412.83 per kW.

**SCHEDULE 6**  
**Operating Reserve - Supplemental Reserve Service**

Supplemental Reserve Service is needed to serve load in the Control Area (other than load supplied by firm imports for which the reserve capacity is provided by the supplier) and to support firm generation exports from the Control Area in the event of a system contingency; however, it is not available immediately to serve load or support generation exports but rather within a short period of time. Supplemental Reserve Service may be provided by generating units that are on-line but unloaded, by quick-start generation or by interruptible load or other non-generation resources capable of providing this service. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area and to support firm sales from generators located within the Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Supplemental Reserve Service obligation. The Transmission Customer's Supplemental Reserve Service obligation shall be consistent with North American Electric Reliability Corporation and Western Electricity Coordinating Council Operating Criteria. The amount of and charges for Supplemental Reserve Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

Operating Reserve - Supplemental Reserve Service

- (A) The Transmission Customer's monthly Supplemental Reserve Service obligation for all transmission service purchased under the Tariff shall be the sum of:
- (i) 1.5% of the sum of the Transmission Customer's monthly peak hourly integrated Network Load within the Transmission Provider's Control Area and monthly Reserved Capacity at Points of Delivery within the Transmission Provider's Control Area, and
  - (ii) 1.5% of the Transmission Customer's monthly peak hourly integrated generation capacity located within or dynamically scheduled to the Transmission Provider's Control Area, for which transmission service is being provided under the Tariff.
- (B) The Transmission Customer shall compensate the Transmission Provider at the monthly rate for Supplemental Reserve Service applied to the Transmission Customer's monthly Supplemental Reserve Service obligation. The monthly rate for Supplemental Reserve Service shall be no greater than \$8.9411.82 per kW.

**ATTACHMENT A-1 (Schedule 3, Schedule 3A and Schedule 5)**  
**Avista Corporation**  
**Production Fixed Charge of Combined Facilities**  
**as of 12/31/2014**

<u>Plant</u>	<u>12/31/2014 Total Plant Investment (1)</u>	<u>Fixed Charge Rate (2)</u>	<u>Annual Fixed Charge</u>	<u>Total Fixed O&amp;M Expense (3)</u>	<u>Total</u>	<u>2015 Accredited Capacity (MW) (6)(7)</u>	<u>Equivalent Available Capacity (4)(5)</u>	<u>Annual Fixed Charge per MW</u>	<u>Monthly Fixed Charge per MW</u>
Noxon Dam	\$ 192,812,093	10.20%	\$ 19,659,423	\$ 2,971,077	\$ 22,630,499	610.0			
Cabinet Gorge Dam	\$ 111,677,893	10.20%	\$ 11,386,853	\$ 2,899,567	\$ 14,286,419	270.5			
Post Falls Dam	\$ 21,052,189	10.20%	\$ 2,146,514	\$ 955,151	\$ 3,101,665	18.0			
Monroe Street Dam	\$ 34,760,435	10.20%	\$ 3,544,228	\$ 844,104	\$ 4,388,333	15.0			
Nine Mile Falls Dam	\$ 38,562,720	10.20%	\$ 3,931,915	\$ 1,009,091	\$ 4,941,007	32.0			
Upper Falls Dam	\$ 15,769,016	10.20%	\$ 1,607,834	\$ 695,086	\$ 2,302,919	10.2			
Long Lake Dam	\$ 36,817,819	10.20%	\$ 3,754,002	\$ 1,519,577	\$ 5,273,579	89.0			
Little Falls Dam	\$ 20,306,760	10.20%	\$ 2,070,509	\$ 2,015,089	\$ 4,085,598	35.2			
Hydro Subtotal	\$ 471,758,925		\$ 48,101,278	\$ 12,908,741	\$ 61,010,019	1,079.9	442.3	\$ 137,938	\$ 11,495
Kettle Falls Steam	\$ 99,195,645	10.20%	\$ 10,114,143	\$ 6,156,229	\$ 16,270,372	47.0	37.6	\$ 432,722.65	\$ 36,060.22
Colstrip Steam	\$ 310,105,641	10.20%	\$ 31,618,856	\$ 12,921,418	\$ 44,540,274	222.0	202.0	\$ 220,474.58	\$ 18,372.88
Coyote Springs	\$ 173,485,690	10.20%	\$ 17,688,872	\$ 6,045,006	\$ 23,733,878	277.0	252.1	\$ 94,155.90	\$ 7,846.33
Thermal Subtotal	\$ 582,786,976		\$ 59,421,872	\$ 25,122,652	\$ 84,544,524	546.0	491.7	\$ 171,947	\$ 14,329
Mid-Columbia Purchases (8)(9)			\$ 8,496,546	\$ -	\$ 8,496,546	66.3	66.3	\$ 128,153	\$ 10,679
<b>Total</b>	<b>\$ 1,054,545,901</b>		<b>\$ 116,019,696</b>	<b>\$ 38,031,393</b>	<b>\$ 154,051,089</b>	<b>1,692.2</b>	<b>1,000.3</b>	<b>\$ 154,006</b>	<b>\$ 12,834</b>

(1) See Attachment C-1

(2) See Attachment B

(3) See Attachment C-2

(4) Thermal EAF: 5-year average (provided by Robert Gray, Avista Senior Engineer II, Asset Management)

(5) Hydro EAF: Based upon 80-year average water conditions (from 8/31/2015 IRP, Table 4.1); Mid-Columbia EAF see footnote (9)

(6) From 8/31/15 IRP: Maximum Capability for hydro (page 4-4, Table 4-1), Maximum Summer Capacity for thermal (page 4-5, Table 4-2)

(7) From 8/31/15 IRP: Sum of estimated On-Peak Capability for Priest Rapids, Rocky Reach, Wanapum, Rock Island and Wells (page 4-8, Table 4.3)

(8) Mid-Columbia Purchases include Grant PUD (Priest Rapids and Wanapum), Chelan PUD (Rock Island and Rocky Reach) and Douglas PUD (Wells) (FERC Form 1, Account 555 summary, pages 326-327)

(9) See Attachment D



**ATTACHMENT A-2 (Schedule 6)**  
**Avista Corporation**  
**Production Fixed Charge of Combined Facilities**  
**as of 12/31/2014**

<u>Plant</u>	<u>12/31/2014 Total Plant Investment (1)</u>	<u>Fixed Charge Rate (2)</u>	<u>Annual Fixed Charge</u>	<u>Total Fixed O&amp;M Expense (3)</u>	<u>Total</u>	<u>2015 Accredited Capacity (MW) (6)(7)</u>	<u>Equivalent Available Capacity (4)(5)</u>	<u>Annual Fixed Charge per MW</u>	<u>Monthly Fixed Charge per MW</u>
Noxon Dam	\$ 192,812,093	10.20%	\$ 19,659,423	\$ 2,971,077	\$ 22,630,499	610.0			
Cabinet Gorge Dam	\$ 111,677,893	10.20%	\$ 11,386,853	\$ 2,899,567	\$ 14,286,419	270.5			
Post Falls Dam	\$ 21,052,189	10.20%	\$ 2,146,514	\$ 955,151	\$ 3,101,665	18.0			
Monroe Street Dam	\$ 34,760,435	10.20%	\$ 3,544,228	\$ 844,104	\$ 4,388,333	15.0			
Nine Mile Falls Dam	\$ 38,562,720	10.20%	\$ 3,931,915	\$ 1,009,091	\$ 4,941,007	32.0			
Upper Falls Dam	\$ 15,769,016	10.20%	\$ 1,607,834	\$ 695,086	\$ 2,302,919	10.2			
Long Lake Dam	\$ 36,817,819	10.20%	\$ 3,754,002	\$ 1,519,577	\$ 5,273,579	89.0			
Little Falls Dam	\$ 20,306,760	10.20%	\$ 2,070,509	\$ 2,015,089	\$ 4,085,598	35.2			
Hydro Subtotal	\$ 471,758,925		\$ 48,101,278	\$ 12,908,741	\$ 61,010,019	1,079.9	442.3	\$ 137,938	\$ 11,495
Kettle Falls Steam	\$ 99,195,645	10.20%	\$ 10,114,143	\$ 6,156,229	\$ 16,270,372	47.0	37.6	\$ 432,722.65	\$ 36,060.22
Kettle Falls CT	\$ 9,178,262	10.20%	\$ 935,830	\$ 63,920	\$ 999,750	8.0	7.3	\$ 137,328.27	\$ 11,444.02
Colstrip Steam	\$ 310,105,641	10.20%	\$ 31,618,856	\$ 12,921,418	\$ 44,540,274	222.0	202.0	\$ 220,474.58	\$ 18,372.88
Coyote Springs	\$ 173,485,690	10.20%	\$ 17,688,872	\$ 6,045,006	\$ 23,733,878	277.0	252.1	\$ 94,155.90	\$ 7,846.33
Rathdrum CT	\$ 63,378,140	10.20%	\$ 6,462,134	\$ 910,721	\$ 7,372,856	130.0	117.0	\$ 63,015.86	\$ 5,251.32
Northeast CT	\$ 14,247,919	10.20%	\$ 1,452,740	\$ 206,663	\$ 1,659,403	42.0	37.0	\$ 44,897.27	\$ 3,741.44
Boulder Park	\$ 32,868,049	10.20%	\$ 3,351,278	\$ 486,120	\$ 3,837,397	24.6	22.9	\$ 167,733.08	\$ 13,977.76
Thermal Subtotal	\$ 702,459,346		\$ 71,623,854	\$ 26,790,076	\$ 98,413,930	750.6	675.8	\$ 145,624	\$ 12,135
Mid-Columbia Purchases (8)(9)			\$ 8,496,546	\$ -	\$ 8,496,546	66.3	66.3	\$ 128,153	\$ 10,679
<b>Total</b>	<b>\$ 1,174,218,271</b>		<b>\$ 128,221,678</b>	<b>\$ 39,698,817</b>	<b>\$ 167,920,495</b>	<b>1,896.8</b>	<b>1,184.4</b>	<b>\$ 141,776</b>	<b>\$ 11,815</b>

(1) See Attachment C-1

(2) See Attachment B

(3) See Attachment C-2

(4) Thermal EAF: 5-year average (provided by Robert Gray, Avista Senior Engineer II, Asset Management)

(5) Hydro EAF: Based upon 80-year average water conditions (from 8/31/2015 IRP, Table 4.1); Mid-Columbia EAF see footnote (9)

(6) From 8/31/15 IRP: Maximum Capability for hydro (page 4-4, Table 4-1), Maximum Summer Capacity for thermal (page 4-5, Table 4-2)

(7) From 8/31/15 IRP: Sum of estimated On-Peak Capability for Priest Rapids, Rocky Reach, Wanapum, Rock Island and Wells (page 4-8, Table 4.3)

(8) Mid-Columbia Purchases include Grant PUD (Priest Rapids and Wanapum), Chelan PUD (Rock Island and Rocky Reach) and Douglas PUD (Wells) (FERC Form 1, Account 555 summary, pages 326-327)

(9) See Attachment D

**ATTACHMENT B**  
**Avista Corporation**  
**Revenue Requirement Analysis**  
**Calculation of Fixed Charge Rate for 35-Year Term**  
**(\$000)**

Book Basis:	\$1,000.0
Tax Basis:	\$1,000.0
Term (Years):	35
Property Tax Rate:	1.50%
Discount Rate:	6.35%

Cost of Capital:	Rate	Capital Structure	Weighted Cost
	Debt	5.20%	51.50%
Common Equity	9.50%	48.50%	4.61%
Preferred	0.00%	0.00%	0.00%
			7.29% *

Composite Tax Rate:	35.0000%
FIT Rate:	33.4850%
Misc. Revenue Items:	4.3287%
Conversion Factor:	62.1863%

Year	Rate Base Beginning of Period	Average Rate Base	Book Depreciation	Book Depr on Tax Basis	Tax Depr For Income Tax	Interest Expense	Equity Return	Income Tax	Misc Revenue Items	O & M Expense	Property Taxes	Total Revenue Requirement	Present Value of Revenue Requirement
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
1	1000.0	989.0	14.3	14.3	37.5	26.5	45.6	24.5	5.7	0.0	15.0	131.6	123.7
2	977.9	956.4	28.6	28.6	72.2	25.6	44.1	23.7	6.2	0.0	14.8	142.9	126.4
3	934.8	914.1	28.6	28.6	66.8	24.5	42.1	22.7	6.0	0.0	14.4	138.2	114.9
4	893.4	873.6	28.6	28.6	61.8	23.4	40.2	21.7	5.8	0.0	13.9	133.6	104.4
5	853.7	834.6	28.6	28.6	57.2	22.4	38.5	20.7	5.6	0.0	13.5	129.2	95.0
6	815.6	797.2	28.6	28.6	52.9	21.3	36.7	19.8	5.4	0.0	13.1	124.9	86.3
7	778.9	761.2	28.6	28.6	48.9	20.4	35.1	18.9	5.2	0.0	12.6	120.8	78.5
8	743.5	726.4	28.6	28.6	45.2	19.5	33.5	18.0	5.1	0.0	12.2	116.8	71.4
9	709.3	692.4	28.6	28.6	44.6	18.5	31.9	17.2	4.9	0.0	11.8	112.9	64.9
10	675.4	658.4	28.6	28.6	44.6	17.6	30.3	16.3	4.7	0.0	11.4	108.9	58.9
11	641.4	624.5	28.6	28.6	44.6	16.7	28.8	15.5	4.5	0.0	10.9	105.0	53.4
12	607.5	590.5	28.6	28.6	44.6	15.8	27.2	14.7	4.4	0.0	10.5	101.1	48.3
13	573.6	556.6	28.6	28.6	44.6	14.9	25.6	13.8	4.2	0.0	10.1	97.2	43.7
14	539.6	522.7	28.6	28.6	44.6	14.0	24.1	13.0	4.0	0.0	9.6	93.3	39.4
15	505.7	488.7	28.6	28.6	44.6	13.1	22.5	12.1	3.9	0.0	9.2	89.4	35.5
16	471.7	454.8	28.6	28.6	44.6	12.2	21.0	11.3	3.7	0.0	8.8	85.5	31.9
17	437.8	420.8	28.6	28.6	44.6	11.3	19.4	10.4	3.5	0.0	8.4	81.6	28.6
18	403.9	386.9	28.6	28.6	44.6	10.4	17.8	9.6	3.4	0.0	7.9	77.6	25.6
19	369.9	352.9	28.6	28.6	44.6	9.5	16.3	8.8	3.2	0.0	7.5	73.7	22.9
20	336.0	319.0	28.6	28.6	44.6	8.5	14.7	7.9	3.0	0.0	7.1	69.8	20.4

Year	Rate Base Beginning of Period	Average Rate Base	Book Depreciation	Book Depr on Tax Basis	Tax Depr For Income Tax	Interest Expense	Equity Return	Income Tax	Misc Revenue Items	O & M Expense	Property Taxes	Total Revenue Requirement	Present Value of Revenue Requirement
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
21	302.0	288.8	28.6	28.6	22.3	7.7	13.3	7.2	2.9	0.0	6.6	66.3	18.2
22	275.6	266.1	28.6	28.6	0.0	7.1	12.3	6.6	2.7	0.0	6.2	63.5	16.4
23	256.6	247.1	28.6	28.6	0.0	6.6	11.4	6.1	2.6	0.0	5.8	61.1	14.8
24	237.6	228.1	28.6	28.6	0.0	6.1	10.5	5.7	2.5	0.0	5.4	58.7	13.4
25	218.5	209.0	28.6	28.6	0.0	5.6	9.6	5.2	2.4	0.0	4.9	56.4	12.1
26	199.5	190.0	28.6	28.6	0.0	5.1	8.8	4.7	2.3	0.0	4.5	54.0	10.9
27	180.5	171.0	28.6	28.6	0.0	4.6	7.9	4.2	2.2	0.0	4.1	51.6	9.8
28	161.5	152.0	28.6	28.6	0.0	4.1	7.0	3.8	2.1	0.0	3.6	49.2	8.8
29	142.5	133.0	28.6	28.6	0.0	3.6	6.1	3.3	2.0	0.0	3.2	46.8	7.9
30	123.5	114.0	28.6	28.6	0.0	3.1	5.3	2.8	1.9	0.0	2.8	44.4	7.0
31	104.5	95.0	28.6	28.6	0.0	2.5	4.4	2.4	1.8	0.0	2.4	42.0	6.2
32	85.5	76.0	28.6	28.6	0.0	2.0	3.5	1.9	1.7	0.0	1.9	39.6	5.5
33	66.5	57.0	28.6	28.6	0.0	1.5	2.6	1.4	1.6	0.0	1.5	37.3	4.9
34	47.5	38.0	28.6	28.6	0.0	1.0	1.8	0.9	1.5	0.0	1.1	34.9	4.3
35	28.5	14.3	28.6	28.6	0.0	0.4	0.7	0.4	1.4	0.0	0.6	32.0	3.7
36	9.5	4.8	14.3	14.3	0.0	0.1	0.2	0.1	0.7	0.0	0.2	15.6	1.7
<b>Total</b>			1000.0	1000.0	1000.0	407.2	700.6	377.2	125.0	0.0	277.5	2887.5	1419.5

Levelized\* 101.96

Explanation of Calculations By Column

Levelized Carrying Charge\* 10.20%

- (b) Rate Base - Accum Book Depr - ((Accelerated Tax Depr - Book Depr Calc on Tax Basis) \* FIT Rate)
- (c) (Rate Base BOP + Rate Base EOP) / 2
- (d) Book Basis / Term
- (e) Tax Basis / Term
- (f) Modified ACRS Schedule
- (g) Weighted Cost of Debt \* Average Rate Base
- (h) Weighted Cost of Common and Preferred Equity \* Average Rate Base
- (i)  $(h + (d-e)) / (1-CTR) * CTR$
- (j)  $((d+g+h+k+l) - ((e+g+k+l) * CTR)) / Conversion Factor * Misc Rev Items Rate$
- (l) (Rate Base - Accum Book Depr) \* Property Tax Rate
- (m)  $(d) + (g) + (h) + (i) + (j) + (k) + (l)$

\* All worksheet values, including Debt, Common Equity and Capital Structure, per most recent approved Washington State retail rate case (effective January 2016) -- Dave DeFelice

**Attachment C-1**  
**Total Plant Investment Costs**  
**as of 12/31/2014**

**Hydro Plant Investment Costs**

<u>2014 Plant</u>	Plant Costs Form 1, pp 402-407		Fuel <u>Inventory (1)</u>	Materials & <u>Supplies</u>	Total <u>Investment</u>
	line 20 (hydro)	line 17 (thermal)			
Noxon Dam	\$ 192,812,093	\$ -	\$ -	\$ -	\$ 192,812,093
Cabinet Gorge Dam	\$ 111,677,893	\$ -	\$ -	\$ -	\$ 111,677,893
Post Falls Dam	\$ 21,052,189	\$ -	\$ -	\$ -	\$ 21,052,189
Monroe Street Dam	\$ 34,760,435	\$ -	\$ -	\$ -	\$ 34,760,435
Nine Mile Falls Dam	\$ 38,562,720	\$ -	\$ -	\$ -	\$ 38,562,720
Upper Falls Dam	\$ 15,769,016	\$ -	\$ -	\$ -	\$ 15,769,016
Long Lake Dam	\$ 36,817,819	\$ -	\$ -	\$ -	\$ 36,817,819
Little Falls Dam	\$ 20,306,760	\$ -	\$ -	\$ -	\$ 20,306,760
Hydro Subtotal	\$ 471,758,925	\$ -	\$ -	\$ -	\$ 471,758,925

**Thermal Plant Investment Costs**

Kettle Falls Steam	\$ 98,549,668	\$ 645,977	\$ -	\$ -	\$ 99,195,645
Kettle Falls CT	\$ 9,178,262	\$ -	\$ -	\$ -	\$ 9,178,262
Colstrip Steam	\$ 306,634,891	\$ 3,470,750	\$ -	\$ -	\$ 310,105,641
Coyote Springs CT	\$ 173,485,690	\$ -	\$ -	\$ -	\$ 173,485,690
Rathdrum CT	\$ 63,378,140	\$ -	\$ -	\$ -	\$ 63,378,140
Northeast CT	\$ 14,247,919	\$ -	\$ -	\$ -	\$ 14,247,919
Boulder Park	\$ 32,868,049	\$ -	\$ -	\$ -	\$ 32,868,049
Thermal Subtotal	\$ 698,342,619	\$ 4,116,727	\$ -	\$ -	\$ 702,459,346

(1) Page 227, line 1, allocated by Expected Capacity

**Attachment C-2**  
**Total Fixed O&M Costs**  
**as of 12/31/2014**

**Hydro Plant**

<u>2014 Plant</u>	Production Costs Form 1, pp 402-407 <u>line 34</u>	Less Fuel Form 1, pp 402-403 <u>line 20</u>	Property Insurance (2)	<u>Total Fixed O&amp;M Costs</u>
Noxon Dam	\$ 2,647,484	\$ -	\$ 323,593	\$ 2,971,077
Cabinet Gorge Dam	\$ 2,756,072	\$ -	\$ 143,495	\$ 2,899,567
Post Falls Dam	\$ 945,602	\$ -	\$ 9,549	\$ 955,151
Monroe Street Dam	\$ 836,147	\$ -	\$ 7,957	\$ 844,104
Nine Mile Falls Dam	\$ 992,116	\$ -	\$ 16,975	\$ 1,009,091
Upper Falls Dam	\$ 689,675	\$ -	\$ 5,411	\$ 695,086
Long Lake Dam	\$ 1,472,364	\$ -	\$ 47,213	\$ 1,519,577
Little Falls Dam	\$ 1,996,416	\$ -	\$ 18,673	\$ 2,015,089
Hydro Subtotal	\$ 12,335,876	\$ -	\$ 572,865	\$ 12,908,741

**Thermal Plant**

Kettle Falls Steam	\$ 13,640,629	\$ (7,509,333)	\$ 24,933	\$ 6,156,229
Kettle Falls CT (1)	\$ 276,399	\$ (216,723)	\$ 4,244	\$ 63,920
Colstrip Steam	\$ 34,299,327	\$ (21,495,676)	\$ 117,767	\$ 12,921,418
Coyote Springs CT	\$ 53,743,362	\$ (47,845,299)	\$ 146,943	\$ 6,045,006
Rathdrum CT	\$ 1,424,914	\$ (583,155)	\$ 68,962	\$ 910,721
Northeast CT	\$ 286,542	\$ (102,159)	\$ 22,280	\$ 206,663
Boulder Park	\$ 1,079,311	\$ (606,241)	\$ 13,050	\$ 486,120
Thermal Subtotal	\$ 104,750,484	\$ (78,358,586)	\$ 398,178	\$ 26,790,076

(1) Total Production Expenses (i) + (j), Form 1 page 411

(2) See Attachment E

**ATTACHMENT D**  
**Avista Corporation**  
**Allocation of Mid-Columbia Purchases**

Plant	Annual Contract Expenses (2)	On-Peak Capability (MW) (3)	Annual Average Energy (aMW) (3)	Net of Canadian Entitlement		Annual Cost of Capacity (\$/MW)	ALLOCATION METHOD (1)				
				Capability (MW)	Annual Energy (aMW)		Load Factor	Expense Allocated to Capacity	Remaining Non-Energy Capacity	Annual Cost of Capacity (\$/MW)	Monthly Cost of Capacity (\$/MW)
Grant PUD (Priest Rapids/Wanapum)	\$ 6,818,251	69.3	44.1	65.3	41.7	163,511	63.8%	\$ 2,464,901	23.6	104,399	8,700
Chelan PUD (Rock Island/Rocky Reach)	\$ 12,320,464	78.2	44.1	73.7	41.7	295,461	56.6%	\$ 5,349,318	32.0	167,177	13,931
Douglas PUD (Wells)	\$ 1,678,001	27.9	16.5	26.3	15.6	107,552	59.3%	\$ 682,327	10.7	63,818	5,318
Canadian Entitlement Return		(10.1)	(5.7)	---	---						
<b>TOTAL</b>	<b>\$ 20,816,716</b>	<b>165.3</b>	<b>99.0</b>	<b>165.3</b>	<b>99.0</b>	<b>210,270</b>	<b>59.9%</b>	<b>\$ 8,496,546</b>	<b>66.3</b>	<b>128,153</b>	<b>10,679</b>

(1) Alternative Method in lieu of full Annual Contract Expenses per discussions with Bonneville Power Administration.

(2) FERC Form 1, pages 326-327

(3) On-Peak Capabilities and Average Energy (from 8/31/2015 IRP, page 4-8, Table 4.3)

**Attachment E**  
**Allocation of Property Insurance Premium**  
**as of 12/31/2014**

2014 Insurance Premium (1)	\$ 1,367,671
Steam Production Plant (FERC Form 1, Page 204, line 16)	\$ 397,879,362
Hydro Production Plant (FERC Form 1, Page 204, line 35)	\$ 472,146,898
<b>Total Generation Resource Assets</b>	<b>\$ 870,026,260</b>
Transmission Plant, Station Equipment (FERC Form 1, Page 206, line 50)	\$ 232,781,971
Distribution Plant, Station Equipment (FERC Form 1, Page 206, line 62)	\$ 122,584,789
<b>Total Station Assets</b>	<b>\$ 355,366,760</b>
<b>TOTAL GENERATION AND STATION ASSETS</b>	<b>\$ 1,225,393,020</b>
Percentage assigned to Generation Resources (\$870,026,260/\$1,225,393,020)	71.00%
Percentage assigned to Station Assets (\$355,366,760/\$1,225,393,020)	29.00%
<b>Property Insurance Premium Assigned to Generation Facilities (71% of Premium)</b>	<b>\$ 971,043</b>
Hydro Facilities Accredited Capacity (2)	1,080 MW
Thermal Facilities Accredited Capacity (2)	751 MW
Percentage of Premium assigned to Hydro Facilities	58.99%
Percentage of Premium assigned to Thermal Facilities	41.01%
<b>Property Insurance Premium Assigned to Hydro Facilities</b>	<b>\$ 572,865</b>
<b>Property Insurance Premium Assigned to Thermal Facilities</b>	<b>\$ 398,178</b>

(1) Property Insurance Premium (Account 924) Form 1, page 323, line 185

(2) Hydro and Thermal group capacity values from Attachment A-2

**REVISED COST OF CAPACITY RATE IMPACT BY TRANSMISSION CUSTOMER**

Revised Regulation and Frequency Response Rate =	Schedule 3	\$	8.94	\$	12.83	/kw-month
Revised Generation Regulation and Frequency Response Rate =	Schedule 3A	\$	8.94	\$	12.83	/kw-month
Revised Spinning Reserve Rate =	Schedule 5	\$	8.94	\$	12.83	/kw-month
Revised Supplemental Reserve Rate =	Schedule 6	\$	8.94	\$	11.82	/kw-month

CUSTOMER			2014 Charges	Revised Rate	Annual Change due to Cost of Capacity
<b>BPA Network Service - 2015 sum of monthly demands (MW)</b>					
			3568.997	3568.997	
Regulation and Frequency Response (2%)	Schedule 3	\$	638,137	\$ 915,805	\$ 277,668
Spinning Reserve (1.5%)	Schedule 5	\$	478,602	\$ 686,853	\$ 208,251
Supplemental Reserve (1.5%)	Schedule 6	\$	478,602	\$ 632,783	\$ 154,181
					\$ 640,100
<b>USBR - East Greenacres Irrigation - 2015 sum of monthly demands (MW)</b>					
			10.580	10.580	
Regulation and Frequency Response (2%)	Schedule 3	\$	1,892	\$ 2,715	\$ 823
Spinning Reserve (1.5%)	Schedule 5	\$	1,419	\$ 2,036	\$ 617
Supplemental Reserve (1.5%)	Schedule 6	\$	1,419	\$ 1,876	\$ 457
					\$ 1,898
<b>Spokane Tribe (Irrigation) - 2015 sum of monthly demands (MW)</b>					
			10.764	10.764	
Regulation and Frequency Response (2%)	Schedule 3	\$	1,925	\$ 2,762	\$ 837
Spinning Reserve (1.5%)	Schedule 5	\$	1,443	\$ 2,072	\$ 628
Supplemental Reserve (1.5%)	Schedule 6	\$	1,443	\$ 1,908	\$ 465
					\$ 1,931
<b>Consolidated Irrigation District - 2015 sum of monthly demands (MW)</b>					
			36.000	36.000	
Regulation and Frequency Response (2%)	Schedule 3	\$	6,437	\$ 9,238	\$ 2,801
Spinning Reserve (1.5%)	Schedule 5	\$	-	\$ -	\$ -
Supplemental Reserve (1.5%)	Schedule 6	\$	-	\$ -	\$ -
					\$ 2,801
<b>Kootenai (Fighting Creek) - 2015 sum of monthly demands (MW)</b>					
			36.000	36.000	
Regulation and Frequency Response (2%)	Schedule 3A	\$	6,437	\$ 9,238	\$ 2,801
Spinning Reserve (1.5%)	Schedule 5	\$	4,828	\$ 6,928	\$ 2,101
Supplemental Reserve (1.5%)	Schedule 6	\$	4,828	\$ 6,383	\$ 1,555
					\$ 6,457
<b>Total change due to Cost of Capacity revision</b>					<b>\$ 653,185</b>

FERC rendition of the electronically filed tariff records in Docket No. ER16-02090-000

Filing Data:

CID: C000379

Filing Title: Avista Corp OATT Cost of Capacity Filing

Company Filing Identifier: 96

Type of Filing Code: 280

Associated Filing Identifier:

Tariff Title: FERC Electric Tariff Volume No. 8

Tariff ID: 12

Payment Confirmation:

Suspension Motion:

Tariff Record Data:

Record Content Description, Tariff Record Title, Record Version Number, Option Code:

OATT Service Sched, Schedule 3 Regulation and Freq Response, 9.0.0, A

Record Narrative Name: Schedule 3 Regulation and Frequency Response Service, revised 6-30-16

Tariff Record ID: 41

Tariff Record Collation Value: 645516120 Tariff Record Parent Identifier: 0

Proposed Date: 2016-09-01

Priority Order: 1

Record Change Type: CHANGE

Record Content Type: 1

Associated Filing Identifier:

### **SCHEDULE 3 Regulation and Frequency Response Service**

Regulation and Frequency Response Service is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled interconnection frequency at sixty cycles per second (60 Hz). Regulation and Frequency Response Service is accomplished by committing on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) and by other non-generation resources capable of providing this service as necessary to follow the moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the Transmission Provider (or the Control Area operator that performs this function for the Transmission Provider). The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Regulation and Frequency Response Service obligation. The Transmission Provider will take into account the speed and accuracy of regulation resources in its determination of Regulation and Frequency Response reserve requirements, including as it reviews whether a self-supplying Transmission Customer has made alternative comparable arrangements. Upon request by the self-supplying Transmission Customer, the Transmission Provider will share with the Transmission Customer its reasoning and any related data used to make the determination of whether the Transmission Customer has made alternative comparable arrangements. The Transmission Provider shall not be responsible for any costs to provide any required metering and communication equipment to facilitate the provision of this service to the Transmission Customer by either the Transmission Provider or any other party. The amount of and charges for Regulation and Frequency Response Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator. The Transmission Provider may charge a Transmission Customer under either Schedule 3 or Schedule 3-A for the regulation and



frequency response burden imposed by the Transmission Customer, but not both.

Regulation and Frequency Response Service

- (A) The Transmission Customer’s load demand at each of the Points of Delivery within the Transmission Provider’s Control Area will be metered at ten-minute integrated intervals. Only those intervals where the Transmission Customer’s total load demand within the Transmission Provider’s Control Area is greater than the scheduled load demand for the given hour will be used to determine the Transmission Customer’s charge pursuant to this Schedule. The largest difference between ten-minute demand recordings and the hourly scheduled demand during a given month shall be the Transmission Customer’s monthly Peak Load Fluctuation. The sum of the monthly Peak Load Fluctuations for all Transmission Customers receiving Regulation and Frequency Response Service under the Tariff shall be the monthly Peak Non-Coincident Load Fluctuation.

The sum of the differences between ten-minute integrated demand recordings and hourly scheduled demands for all Transmission Customers receiving Regulation and Frequency Response Service for each ten-minute interval shall determine the Peak Coincident Load Fluctuation for that ten-minute interval, thus accommodating all Transmission Customers’ Regulation and Frequency Response Service diversity. The maximum Peak Coincident Load Fluctuation during a given month shall be used to determine the monthly revenue requirement for this service.

The Transmission Customer’s Regulation and Frequency Response Service obligation shall be the ratio of the Transmission Customer’s monthly Peak Load Fluctuation to the monthly Peak Non-Coincident Load Fluctuation, multiplied by the monthly Peak Coincident Load Fluctuation:

$$\begin{array}{l}
 \text{Regulation} \\
 \text{and} \\
 \text{Frequency} \\
 \text{Response} \\
 \text{Service} \\
 \text{Obligation}
 \end{array}
 =
 \frac{\text{Transmission Customer's monthly Peak Load Fluctuation}}{\text{monthly Peak Non-Coincident Load Fluctuation for all customers}}
 \times
 \frac{\text{monthly Peak Coincident Load Fluctuation for all customers}}{\text{monthly Peak Coincident Load Fluctuation for all customers}}$$

- (B) In order to facilitate service under Schedule 3 at a reduced cost impact to Transmission Customer in the event available metering facilities at the Points of Delivery do not provide the necessary functionality to calculate applicable billing determinants under (A) above, the Parties may agree to use the following billing

determinant in lieu of the methodology described in (A). Alternatively, the monthly Regulation and Frequency Response Service obligation shall be 2.0% of Transmission Customer's monthly peak Network Load.

- (C) The Transmission Customer shall compensate the Transmission Provider at the monthly rate for Regulation and Frequency Response Service applied to the Transmission Customer's monthly Regulation and Frequency Response Service obligation. The monthly rate for Regulation and Frequency Response Service shall be no greater than \$12.83 per kW.

Record Content Description, Tariff Record Title, Record Version Number, Option Code:

OATT Service Schedule, Schedule 3-A Generator Reg and Freq Response, 7.0.0, A

Record Narrative Name: Schedule 3A Generator Regulation and Frequency Response revised 6-30-16

Tariff Record ID: 104

Tariff Record Collation Value: 646516120 Tariff Record Parent Identifier: 0

Proposed Date: 2016-09-01

Priority Order: 1

Record Change Type: CHANGE

Record Content Type: 1

Associated Filing Identifier:

### **SCHEDULE 3-A**

#### **Generator Regulation and Frequency Response Service**

Generator Regulation and Frequency Response Service is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled interconnection frequency at sixty cycles per second (60 Hz). Generator Regulation and Frequency Response Service is accomplished by committing on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) and by other non-generation resources capable of providing this service as necessary to follow the moment-by-moment changes for a generator located within the Control Area. The obligation to maintain this balance between resources and the generator's schedule lies with the Transmission Provider (or the Control Area operator that performs this function for the Transmission Provider). For a generator located within the Control Area, the Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Generator Regulation and Frequency Response Service obligation. The Transmission Provider shall not be responsible for any costs to provide any required metering and communication equipment to facilitate the provision of this service to the Transmission Customer by either the Transmission Provider or any other party. The amount of and charges for Generator Regulation and Frequency Response Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator. The Transmission Provider may charge a Transmission Customer under either Schedule 3 or Schedule 3-A for the regulation and frequency response burden imposed by the Transmission Customer, but not both.

#### Generator Regulation and Frequency Response Service

- (A) The monthly Generator Regulation and Frequency Response Service obligation

shall be 2.0% of the Transmission Customer's generator capacity.

- (B) The Transmission Customer shall compensate the Transmission Provider at the monthly rate for Generator Regulation and Frequency Response Service applied to the Transmission Customer's monthly Generator Regulation and Frequency Response Service obligation. The monthly rate for Generator Regulation and Frequency Response Service shall be no greater than \$12.83 per kW.

Record Content Description, Tariff Record Title, Record Version Number, Option Code:

OATT Service Sched, Schedule 5 Operating Res, Spinning Res, 9.0.0, A

Record Narrative Name: Schedule 5 Operating Reserve - Spinning Reserve Service, revised 6-30-16

Tariff Record ID: 43

Tariff Record Collation Value: 677741926 Tariff Record Parent Identifier: 0

Proposed Date: 2016-09-01

Priority Order: 1

Record Change Type: CHANGE

Record Content Type: 1

Associated Filing Identifier:

## **SCHEDULE 5**

### **Operating Reserve - Spinning Reserve Service**

Spinning Reserve Service is needed to immediately serve load in the Control Area (other than load supplied by firm imports for which the reserve capacity is provided by the supplier) and to support firm generation exports from the Control Area in the event of a system contingency. Spinning Reserve Service may be provided by generating units that are on-line and loaded at less than maximum output and by non-generation resources capable of providing this service. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area and to support firm sales from generators located within the Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Spinning Reserve Service obligation. The Transmission Customer's Spinning Reserve Service obligation shall be consistent with North American Electric Reliability Corporation and Western Electricity Coordinating Council Operating Criteria. The amount of and charges for Spinning Reserve Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

#### Operating Reserve - Spinning Reserve Service

- (A) The Transmission Customer's monthly Spinning Reserve Service obligation for all transmission service purchased under the Tariff shall be the sum of:
- (i) 1.5% of the sum of the Transmission Customer's monthly peak hourly integrated Network Load within the Transmission Provider's Control Area and monthly Reserved Capacity at Points of Delivery within the Transmission Provider's Control Area, and
  - (ii) 1.5% of the Transmission Customer's monthly peak hourly integrated

generation capacity located within or dynamically scheduled to the Transmission Provider's Control Area, for which transmission service is being provided under the Tariff.

- (B) The Transmission Customer shall compensate the Transmission Provider at the monthly rate for Spinning Reserve Service applied to the Transmission Customer's monthly Spinning Reserve Service obligation. The monthly rate for Spinning Reserve Service shall be no greater than \$12.83 per kW.

Record Content Description, Tariff Record Title, Record Version Number, Option Code:

OATT Service Sched, Schedule 6 Operating Res, Supplemental Res, 9.0.0, A

Record Narrative Name: Schedule 6 Operating Reserve - Supplemental Reserve Service revised 6-30-16

Tariff Record ID: 44

Tariff Record Collation Value: 693854829 Tariff Record Parent Identifier: 0

Proposed Date: 2016-09-01

Priority Order: 1

Record Change Type: CHANGE

Record Content Type: 1

Associated Filing Identifier:

## **SCHEDULE 6**

### **Operating Reserve - Supplemental Reserve Service**

Supplemental Reserve Service is needed to serve load in the Control Area (other than load supplied by firm imports for which the reserve capacity is provided by the supplier) and to support firm generation exports from the Control Area in the event of a system contingency; however, it is not available immediately to serve load or support generation exports but rather within a short period of time. Supplemental Reserve Service may be provided by generating units that are on-line but unloaded, by quick-start generation or by interruptible load or other non-generation resources capable of providing this service. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area and to support firm sales from generators located within the Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Supplemental Reserve Service obligation. The Transmission Customer's Supplemental Reserve Service obligation shall be consistent with North American Electric Reliability Corporation and Western Electricity Coordinating Council Operating Criteria. The amount of and charges for Supplemental Reserve Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

#### Operating Reserve - Supplemental Reserve Service

- (A) The Transmission Customer's monthly Supplemental Reserve Service obligation for all transmission service purchased under the Tariff shall be the sum of:
- (i) 1.5% of the sum of the Transmission Customer's monthly peak hourly integrated Network Load within the Transmission Provider's Control Area and monthly Reserved Capacity at Points of Delivery within the Transmission Provider's Control Area, and

- (ii) 1.5% of the Transmission Customer's monthly peak hourly integrated generation capacity located within or dynamically scheduled to the Transmission Provider's Control Area, for which transmission service is being provided under the Tariff.
- (B) The Transmission Customer shall compensate the Transmission Provider at the monthly rate for Supplemental Reserve Service applied to the Transmission Customer's monthly Supplemental Reserve Service obligation. The monthly rate for Supplemental Reserve Service shall be no greater than \$11.82 per kW.

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