

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-15_____

EXHIBIT NO. ____ (WGJ-3)

WILLIAM G. JOHNSON

REPRESENTING AVISTA CORPORATION

Avista Corp.
Brief Description of Power Supply Adjustments

Line No.

- 1 **Modeled Short-term Market Purchases** - Short-term purchases from the AURORA Dispatch Simulation Model.
- 2 **Actual ST Market Purchases** – Expense of the actual term physical power transactions entered into for the pro forma period as of November 2014, of which there are none.
- 3 **Actual ST Purchases – Financial M-to-M** – Mark to model price expense of actual financial (fixed for floating swaps) power purchases entered into for the pro forma period as of November 2014.
- 4 **Rocky Reach/Rock Island Purchase** – The pro forma expense is based on an anticipated renewal of a purchase of a portion of Rocky Reach and Rock Island generation. The current contract ends 12-31-15.
- 5 **Wells – Avista Share** - Wells' costs are based on the Company's 3.34% share of total cost at project costs.
- 6 **Wells – Colville Tribe's Share** - The test-year expense is based on a purchase of the Colville Indian Tribe's portion of the Wells' dam generation. The current contract ends 3-31-15.
- 7 **Priest Rapids Project** - Priest Rapids Project expense includes the expense related to the purchased power from the Priest Rapids development and power from the Wanapum development.
- 8 **Douglas Settlement** – Douglas Settlement is for power Avista purchases from Douglas PUD per the 1989 Settlement Agreement.
- 9 **Lancaster Capacity Payment** – The Lancaster capacity payment includes a capital payment and a fixed O&M payment.
- 10 **Lancaster Variable O&M Payments** – the Lancaster variable O&M payment is based on the variable O&M rate in the Lancaster Power Purchase Agreement multiplied time the MWh of Lancaster generation in the pro forma.
- 11 **WNP-3** - Pro forma costs are based on the midpoint. The pro forma uses the actual midpoint of the ceiling and floor prices identified in the contract for contract year 2014-2015 escalated at inflation to the pro forma period.

- 12 **Deer Lake-IP&L** - Pro forma expense is for power purchased from Inland Power to serve Avista customers.
- 13 **Small Power** – Pro forma costs are based on 5-year average generation and an average contract rate.
- 14 **Stimson** – This purchase is from the cogeneration plant at Plummer, Idaho. Pro forma costs are based on 5-year average generation and pro forma period contract rates.
- 15 **Spokane-Upriver** – Pro forma expense is based on a purchase of the net of pumping (at the plant) generation at the pro forma contract rate.
- 16 **Spokane Waste-to-Energy** - Pro forma expense is based on average generation and the pro forma period contract rate.
- 17 **Non-Monetary** - Expense is normalized to \$0 in the pro forma.
- 18 **Ancillary Services** – Pro forma expense is \$0 because this is an intra-utility expense (matching revenue in Account 447).
- 19 **Palouse Wind** – Pro forma expense is based on the expected generation and the contract rate in the pro forma year, including the apprenticeship credit.
- 20 **Stateline Wind Purchase** – Pro forma expense is \$0 because the contract ended 3-31-14.
- 21 **Total Account 555**
- 22 **Broker Commission Fees** – Pro forma expense is associated with purchases and sales of electricity and natural gas fuel.
- 23 **WA EIA REC Purchases** – Pro forma expense is \$0 because the contract for REC purchases ended 12-31-15.
- 24 **WA RECs Power Supply Expense Deferral** – Pro forma expense is \$0 because REC revenue is not included in base rates as it was in the test-year.
- 25 **Optional Renewable Power Expense Offset** – This test year credit was to remove the REC cost of the Stateline Wind purchase that was assigned to the Buck-a-Block program. The pro forma credit is \$0 because the Stateline Wind purchase ended 3-31-14.
- 26 **Natural Gas Fuel Purchases** – This is the expense for natural gas purchased for but not consumed for generation. Pro forma expense is \$0 because all gas purchased is assumed to be used for generation, and included in Account 547.

27 Total Account 557

28 **Kettle Falls Wood Fuel Cost** – Pro forma fuel expense is based on the generation of the Kettle Falls plant in the AURORA Model and the unit cost of available fuel.

29 **Kettle Falls-Start-up Gas** – Pro forma expense is for start-up gas at Kettle Falls and is based on the test-year expense.

30 **Colstrip Coal Cost** – Pro forma fuel expense is based on the generation of the Colstrip plant in the AURORA Model and the unit cost of fuel under the contract.

31 **Colstrip Oil** – Pro forma expense is for start-up oil expense. Pro forma is based on the test-year expense.

32 Total Account 501

33 **Coyote Springs Gas** – Pro forma expense is an output of the AURORA Model based on the pro forma unit cost of fuel and the dispatch of the plant, which determines the volume of fuel consumed.

34 **CS2 Gas Transportation** – This expense is for natural gas transportation for the Coyote Springs 2 plant.

35 **Lancaster Gas** - Pro forma expense is an output of the AURORA Model based on the pro forma unit cost of fuel and the dispatch of the plant, which determines the volume of fuel consumed.

36 **Lancaster Gas Transportation** – This expense is for natural gas transportation for the Lancaster plant.

37 **Actual Financial Gas Transactions M-to-M** – Mark-to-model price expense of actual financial gas purchases entered into for the pro forma period as of November 2013. The number is negative because actual financial gas purchases are at a lower price or sales are at a higher price than the gas price used in the AURORA model.

38 **Gas Transportation Optimization** - This credit to expense is based on optimizing the gas transportation contracts for Coyote Springs 2 and Lancaster. In general, this involves trading the gas price spread between AECO (Canada) and Malin.

39 **Gas Transportation for BP, NE and KFCT** – This expense is for transportation of natural gas to serve Boulder Park, Northeast and Kettle Falls Combustion Turbine gas-fired plants.

- 40 **Imbalance and Tax Adjustment** – This is a test-year only expense to adjust gas-fuel expense.
- 41 **Rathdrum Gas** – Pro forma expense is an output of the AURORA Model based on the pro forma unit cost of fuel and the dispatch of the plant, which determines the volume of fuel consumed.
- 42 **Northeast CT Gas** – Pro forma expense is an output of the AURORA Model based on the pro forma unit cost of fuel and the dispatch of the plant which determines the volume of fuel consumed.
- 43 **Boulder Park Gas** – Pro forma expense is an output of the AURORA Model based on the pro forma unit cost of fuel and the dispatch of the plant which determines the volume of fuel consumed.
- 44 **Kettle Falls CT Gas** – Pro forma expense is an output of the AURORA Model based on the pro forma unit cost of fuel and the dispatch of the plant, which determines the volume of fuel consumed.
- 45 **Total Account 547**
- 46 **WNP-3 Transmission** – Pro forma WNP-3 wheeling is based on 32.22 MW at a rate of \$2.36/kW/mo.
- 47 **Wheeling for System Sales and Purchases** – Pro forma expense is for short-term transmission purchases.
- 48 **PTP for Colstrip and Coyotes Springs 2 and Lancaster**– This wheeling is for the transmission of 196 MW from Colstrip, 272 MW from Coyote Springs 2 and 1000 MW from Lancaster. Pro forma expense is based on 568 MW of capacity at a rate of \$1.736/kW/mo.
- 49 **BPA Townsend-Garrison Wheeling** – This expense is for the transmission of Colstrip power from the Townsend substation to the Garrison substation.
- 50 **Avista on BPA Borderline** – This expense is to serve Avista load off of BPA transmission. Expense is based on Avista’s borderline loads priced at BPA’s NT transmission rates plus ancillary services cost and use of facilities charges.
- 51 **Kootenai for Worley** – This expense is for Avista load served using Kootenai’s facilities.
- 52 **Sagle-Northern Lights** – Expense is for transmission purchased from Northern Lights Utility to serve Avista customers.

- 53 **Northwestern for Colstrip** – Northwestern for Colstrip wheeling is an expense for the transmission of Colstrip energy above 196 MW from the Garrison substation over Northwestern Energy’s transmission system to the interconnection of Northwestern Energy and Avista.
- 54 **PGE Firm Wheeling** – PGE Firm wheeling reflects the cost of transmission from the John Day substation to COB (Intertie South) purchased from Portland General Electric.
- 55 **Total Account 565**
- 56 **Headwater Benefits Expense** - Pro forma expense is based on the expense for contract year September 2014 through August 2015.
- 57 **Coyote Springs 2 Operation & Maintenance Expense** – Operation and maintenance expense at Coyote Springs 2 including a periodic major maintenance overhaul in 2016.
- 58 **Colstrip Operation & Maintenance Expense** – Operation and maintenance expense at Colstrip including a periodic major maintenance overhaul in 2016.
- 59 **Total Coyote Spring 2 and Colstrip O&M Expense**
- 60 **Total Expenses** – Sum of Accounts 555, 557, 501, 547, 565, 536, and 549.
- 61 **Modeled Short-Term Market Sales** - Short-term market sales from the AURORA Model simulation.
- 62 **Actual ST Market Sales - Physical** – Revenue from the actual term transactions entered into for the pro forma period as of November 2014.
- 63 **Actual ST Market Sales-Financial M-to-M** – Mark to model price of actual financial power sales entered into for the pro forma period as of November 2014.
- 64 **Peaker (PGE) Capacity Sale** – This pro forma revenue is based on 150 MW of capacity at the full contract rate.
- 65 **Nichols Pumping Sale** – This is a sale of energy to other Colstrip Units 3 and 4 owners at the Mid-Columbia index price less \$2.16/MWh. Pro forma revenue is based on approximately 7 aMW at the market price (less \$2.16/MWh) as determined by the AURORA model.
- 66 **Sovereign/Kaiser DES** – This contract provides load control services to Kaiser’s Trentwood plant. A new contract began 10-1-2015.

- 67 **Pend Oreille DES & Spinning Reserves** – This contract provides load regulation and reserves for Pend Oreille PUD. A new contract began 10-1-2015.
- 68 **SMUD Sale (Energy America)** – The SMUD contract ended 12-31-2014. Pro forma revenue includes a35 MW of an energy sale at the Mid C index plus \$3/MWh plus 15 aMW of the Mid C COB margin of \$3/MWh.
- 69 **Intercompany Generation** – Pro forma revenue is \$0 because it is intra-utility revenue (matching expense in Account 555).
- 70 **Total Account 447**
- 71 **Non WA EIA REC Sales** – REC revenue is removed from the pro forma and is separately tracked and rebated.
- 72 **WA EIA REC Sales** – Pro forma revenue is \$0 because WA EIA compliant RECs are not being sold in the pro forma period.
- 73 **Gas Not Consumed Sales Revenue** - This is the revenue for natural gas purchased for but not consumed for generation. Pro forma revenue is \$0 because all gas purchased is assumed to be used for generation, and included in Account 547.
- 74 **Total Account 456**
- 75 **Upstream Storage Revenue** – Pro forma revenue is based on the revenue for contract year September 2014 through August 2015.
- 76 **Total Revenue** – Sum of Accounts 447, 456, 453 and 454.
- 77 **Total Net Expense** – Total expense minus total revenue.