# One Time Calculation of Incremental Cost for Each (All) Eligible Resource(s)

480-109-210(2)(a)(i) Utility must make a one-time calculation of incremental cost for each eligible resource at the time of acquisition or, for historic acquisitions, the best information available at the time of acquistion

Formula **One Time Calculation** of Incremental Cost:

Energy-Levelized Incremental Cost:
[Levelized Cost Eligible Renewable Resource – Levelized Cost Alternative]

Capacity-Levelized Incremental Cost:
[Levelized Cost Eligible Renewable Resource – Levelized Cost Alternative]

Energy + Capacity = Incremental Cost

*Note:*
*Levelized cost of eligible renewable resource should include integration*

| Resource | ENERGY<br>Levelized Cost Eligible Renewable Resource ($/REC/MWh) | $<br>Total Annual Cost ($) | Energy<br>Levelized Cost Alternative ($/MWh) | Capacity<br>Levelized Cost Alternative ($/kW-yr) | Capacity<br>Total Alternative Cost ($) | $<br>Incremental Cost ($) | $<br>Washington Share |
|---|---|---|---|---|---|---|---|
| Little Falls 4 | 23.08 | 112,198 | 24.89 | 148 | 269,451 | (157,253) | (103,205) |
| Long Lake 3 | 6.50 | 92,282 | 30.43 | 158 | 1,141,013 | (1,048,731) | (688,282) |
| Cabinet Gorge 2 | 22.88 | 663,840 | 35.48 | 130 | 3,233,260 | (2,569,420) | (1,686,310) |
| Cabinet Gorge 3 | 18.81 | 861,603 | 24.89 | 148 | 3,663,667 | (2,802,064) | (1,838,994) |
| Cabinet Gorge 4 | 24.10 | 494,522 | 60.71 | 134 | 2,451,932 | (1,957,410) | (1,284,648) |
| Noxon Rapids 1 | 83.05 | 1,780,183 | 64.88 | 140 | 2,367,976 | (587,794) | (385,769) |
| Noxon Rapids 2 | 115.18 | 887,937 | 70.96 | 146 | 1,570,262 | (682,325) | (447,810) |
| Noxon Rapids 3 | 59.71 | 867,560 | 67.67 | 143 | 1,982,089 | (1,114,529) | (731,466) |
| Noxon Rapids 4 | 65.06 | 782,277 | 74.72 | 150 | 1,948,060 | (1,165,783) | (765,103) |
| Palouse Wind | 65.28 | 26,347,159 | 57.88 | 209 | 19,465,457 | 6,881,703 | 4,516,461 |
| Nine Mile Falls 1 | TBD | TBD | TBD | TBD | TBD | TBD | TBD |
| Nine Mile Falls 2 | TBD | TBD | TBD | TBD | TBD | TBD | TBD |
| Kettle Falls (Note 1) | 0 | 0 | 0 | 0 | 0 | 0 | - |
| EWEB/Stateline (Note 2) | 14.50 | 725,000 | - | 0 | 0 | 725,000 | 725,000 |
| Total Renewable Resource Cost | | 33,614,562 | | | 38,093,168 | (4,478,606) | (2,690,127) |

Note 1: WAC 480-109-210 (2) (G): Legacy resources. Any eligible resource that the utility acquired prior to March 31, 1999, is deemed to have an incremental cost of zero.

Note 2: EWEB/Stateline costs 100% allocated to Washington customers.

Note 3: The Production/Transmission Ratio ("P/T Ratio") is a jurisdictional allocation used to allocate production and transmission costs between the Company's Washington and Idaho electric service territories. The Company files its P/T Ratio annually with the WUTC within its annual required Commission Basis Report.

| | |
|---|---|
| **Washington Share (Note 3):** | 65.63% |
| **ALL RESOURCES TOTAL INCREMENTAL COST = ENERGY + CAPACITY** | (2,690,127) |

# 2016 Estimated Data: Annual Calculation of Revenue Requirement Ratio

480-109-210(2)(a)(ii) Utility must annually calculate its revenue requirement ratio for 1) All Resources 2) Required Resources Target Year

Formula **Annual Calculation** of Incremental Cost (Revenue Requirement Ratio):

1) Total Incremental Cost All* Resources:
{[sum of incremental costs of All* eligible resources + cost of unbundled RECs] - [revenue RECs]} / annual revenue requirement
**required because of excess generation, Avista needs to report 2 incremental costs*
2) Total Incremental Cost Required Resources for Target Year:
{[sum of incremental costs of Target Year* eligible resources used for target year compliance + cost of unbundled RECs] - [revenue RECs]} / annual revenue requirement

| | ALL AVAILABLE RESOURCES ESTIMATED | | | TARGET YEAR: FORCAST SUBJECT TO CHANGE | | |
|---|---|---|---|---|---|---|
| Resource | sum of incremental costs of all eligible resources | RECs purchased | Revenue from REC sales | sum of incremental costs of all eligible resources | RECs purchased | revenue from REC sales |
| Little Falls 4 | (157,253) | | | (157,253) | | |
| Long Lake 3 | (1,048,731) | | | (1,048,731) | | |
| Cabinet Gorge 2 | (2,569,420) | | | (2,569,420) | | |
| Cabinet Gorge 3 | (2,802,064) | | | (2,802,064) | | |
| Cabinet Gorge 4 | (1,957,410) | | | (1,957,410) | | |
| Noxon Rapids 1 | (587,794) | | | (587,794) | | |
| Noxon Rapids 2 | (682,325) | | | (682,325) | | |
| Noxon Rapids 3 | (1,114,529) | | | (1,114,529) | | |
| Noxon Rapids 4 | (1,165,783) | | | (1,165,783) | | |
| Palouse Wind (Note 1) | 6,881,703 | | (650,775) | 4,891,220 | | (650,775) |
| Nine Mile Falls 1 (Note 2) | TBD | | | TBD | | |
| Nine Mile Falls 2 (Note 2) | TBD | | | TBD | | |
| Kettle Falls (Note 3) | 0 | | (2,278,646) | 0 | | (2,278,646) |
| Total | (5,203,606) | 0 | (2,929,420) | (7,194,089) | 0 | (2,929,420) |
| **WA Share of WA/ID Resources** | **(3,415,127)** | **0** | **(1,922,579)** | **(4,721,480)** | **0** | **(1,922,579)** |
| **Washington Only Resources** | | | | | | |
| EWEB/Stateline | | 719,447 | | | 719,447 | |
| Idaho Transferred REC Value Hydro (Note 4) | | 0 | | | 0 | |
| Idaho Transferred REC Value Kettle Falls (Note 5) | | 873,900 | | | 90,729 | |
| Idaho Transferred REC Value Palouse (Note 5) | | 815,653 | | | 579,731 | |
| **Total WA Only Resources** | **0** | **2,408,999** | **0** | **0** | **1,389,907** | **0** |
| | | | | | | |
| **Total WA Share of Costs** | **(3,415,127)** | **2,408,999** | **(1,922,579)** | **(4,721,480)** | **1,389,907** | **(1,922,579)** |
| | | | | | | |
| Annual Revenue Requirement (most recent rate case) | | | 491,872,000 | | | 491,872,000 |
| | CALCULATION 1 (Note 6): | | (3,015,888) | CALCULATION 2 (Note 6): | | (5,410,558) |
| | | | -0.613% | | | -1.100% |

NOTES

| Resources | RECS Assumed used for 2016 Compliance | RECS Generated | RECS Already Sold | REC Price |
|---|---|---|---|---|
| Kettle Falls | 33,163 | 319,425 | (286,262) | 7.96 |
| Palouse | 286,860 | 403,598 | (110,676) | 5.88 |

Note 1: Palouse Wind adjusted for actual production.
Note 2: Final Nine Mile Falls upgrade costs to be determined after the project is completed and final costs are known.
Note 3: WAC 480-109-210 (2) (G): Legacy resources. Any eligible resource that the utility acquired prior to March 31, 1999, is deemed to have an incremental cost of zero.
Note 4: REC Value for transfering REC's entitled to Idaho to Washington- No value assumed for hydro in 2016
Note 5: REC Value for transfering RECs entitled to Idaho to Washington
Note 6: To calculate revenue requirements all costs/revenues are multiplied by 1.029768 to account for Washington's share Excise Tax, Uncollectibles and Commission Fees.

# 2015 Actual Data: Annual Calculation of Revenue Requirement Ratio

480-109-210(2)(a)(ii) Utility must annually calculate its revenue requirement ratio for 1) All Resources 2) Required Resources Target Year

Formula **Annual Calculation** of Incremental Cost (Revenue Requirement Ratio):

1) Total Incremental Cost All* Resources:
{[sum of incremental costs of All* eligible resources + cost of unbundled RECs] - [revenue RECs]} / annual revenue requirement
**required because of excess generation, Avista needs to report 2 incremental costs*
2) Total Incremental Cost Required Resources for Target Year:
{[sum of incremental costs of Target Year* eligible resources used for target year compliance + cost of unbundled RECs] - [revenue RECs]} / annual revenue requirement

| | ALL AVAILABLE RESOURCES BASED ON ACTUAL RESULTS | | | TARGET YEAR: BASED ON EXPECTED COMPLIANCE RESOURCES | | |
|---|---|---|---|---|---|---|
| Resource | sum of incremental costs of all eligible resources | RECs purchased | Revenue from REC sales | sum of incremental costs of all eligible resources | RECs purchased | revenue from REC sales |
| Little Falls 4 | (157,253) | | | (157,253) | | |
| Long Lake 3 | (1,048,731) | | | (1,048,731) | | |
| Cabinet Gorge 2 | (2,569,420) | | | (2,569,420) | | |
| Cabinet Gorge 3 | (2,802,064) | | | (2,802,064) | | |
| Cabinet Gorge 4 | (1,957,410) | | | (1,957,410) | | |
| Noxon Rapids 1 | (587,794) | | | (587,794) | | |
| Noxon Rapids 2 | (682,325) | | | (682,325) | | |
| Noxon Rapids 3 | (1,114,529) | | | (1,114,529) | | |
| Noxon Rapids 4 | (1,165,783) | | | (1,165,783) | | |
| Palouse Wind (Note 1) | 6,006,614 | | (680,196) | | | |
| | | | | | | |
| Total | (6,078,694) | 0 | (680,196) | (12,085,309) | 0 | 0 |
| **WA Share of WA/ID Resources** | **(3,989,447)** | **0** | **(446,413)** | **(7,931,588)** | **0** | **0** |
| **Washington Only Resources** | | | | | | |
| EWEB/Stateline | | 725,000 | | | 5,554 | |
| Idaho Transferred REC Value Hydro (Note 2) | | 1,754 | | | 1,754 | |
| Idaho Transferred REC Value Kettle Falls (Note 2) | | 0 | | | 0 | |
| Idaho Transferred REC Value Palouse (Note 2) | | 233,783 | | | 0 | |
| **Total WA Only Resources** | **0** | **960,537** | **0** | **0** | **7,307** | **0** |
| | | | | | | |
| **Total WA Share of Costs** | **(3,989,447)** | **960,537** | **(446,413)** | **(7,931,588)** | **7,307** | **0** |
| Annual Revenue Requirement (most recent rate case) | | | 491,872,000 | | | 491,872,000 |
| | CALCULATION 1 (Note 3): | | (3,578,776) | CALCULATION 2 (Note 3): | | (8,160,171) |
| | | | -0.728% | | | -1.659% |

NOTES

| Resources | RECS Assumed used for 2016 Compliance | RECS Generated | RECS Already Sold | REC Price |
|---|---|---|---|---|
| Palouse | | | 293,563 | 2.32 |
| Hydro | | | | 0.03 |
| | | | | |
| Palouse Generation | | | | |
| Actual MWh | 293,563 | | | |
| Planned MWh | 336,331 | | | |

Note 1: Palouse Wind adjusted for actual production.
Note 2: REC Value for transfering RECs entitled to Idaho to Washington
Note 3: To calculate revenue requirements all costs/revenues are multiplied by 1.029768 to account for Washington's share Excise Tax, Uncollectibles and Commission Fees.

# (iii)(A) & (B) Annual Reporting Summary Data: 2015 and 2016

## 2015

Utility must (A) report its total incremental cost as a dollar amount and in dollars per megawatt-hour of renewable energy generated by all eligible renewable resources in the calcualtion (a)(i) of this subsection; and (B) multiply the dollars per megawatt-hour cost calculated in (a)(iii)(A) of this subsection by the number of megawatt-hours needed for target year compliance.

| | (A) | | | (B) | |
|---|---|---|---|---|---|
| Resource | Total Incremental Cost (as dollar $ amt.) | MWh | Total Incremental Cost ($/MWh) | Number of Megawatt-hours Needed for Target Year Compliance | Total Incremental Cost ($/MWh) Multiplied by Number of Megawatt-hours Needed for Target Year Compliance |
| Little Falls 4 | (157,253) | 4,862 | (32.3) | 4,862 | (157,253) |
| Long Lake 3 | (1,048,731) | 14,197 | (73.9) | 14,197 | (1,048,731) |
| Cabinet Gorge 2 | (2,569,420) | 29,008 | (88.6) | 29,008 | (2,569,420) |
| Cabinet Gorge 3 | (2,802,064) | 45,808 | (61.2) | 45,808 | (2,802,064) |
| Cabinet Gorge 4 | (1,957,410) | 20,517 | (95.4) | 20,517 | (1,957,410) |
| Noxon Rapids 1 | (587,794) | 21,435 | (27.4) | 21,435 | (587,794) |
| Noxon Rapids 2 | (682,325) | 7,709 | (88.5) | 7,709 | (682,325) |
| Noxon Rapids 3 | (1,114,529) | 14,529 | (76.7) | 14,529 | (1,114,529) |
| Noxon Rapids 4 | (1,165,783) | 12,024 | (97.0) | 12,024 | (1,165,783) |
| Palouse Wind | 6,881,703 | 352,276 | 19.5 | - | - |
| EWEB/Stateline | 5,553.50 | 383 | 14.5 | 383 | 5,554 |

## 2016

Utility must (A) report its total incremental cost as a dollar amount and in dollars per megawatt-hour of renewable energy generated by all eligible renewable resources in the calcualtion (a)(i) of this subsection; and (B) multiply the dollars per megawatt-hour cost calculated in (a)(iii)(A) of this subsection by the number of megawatt-hours needed for target year compliance.

| | (A) | | | (B) | |
|---|---|---|---|---|---|
| Resource | Total Incremental Cost (as dollar $ amt.) | MWh | Total Incremental Cost ($/MWh) | Number of Megawatt-hours Needed for Target Year Compliance | Total Incremental Cost ($/MWh) Multiplied by Number of Megawatt-hours Needed for Target Year Compliance |
| Little Falls 4 | (157,253) | 4,862 | (32) | 4,862 | (157,253) |
| Long Lake 3 | (1,048,731) | 14,197 | (74) | 14,197 | (1,048,731) |
| Cabinet Gorge 2 | (2,569,420) | 29,008 | (89) | 29,008 | (2,569,420) |
| Cabinet Gorge 3 | (2,802,064) | 45,808 | (61) | 45,808 | (2,802,064) |
| Cabinet Gorge 4 | (1,957,410) | 20,517 | (95) | 20,517 | (1,957,410) |
| Noxon Rapids 1 | (587,794) | 21,435 | (27) | 21,435 | (587,794) |
| Noxon Rapids 2 | (682,325) | 7,709 | (89) | 7,709 | (682,325) |
| Noxon Rapids 3 | (1,114,529) | 14,529 | (77) | 14,529 | (1,114,529) |
| Noxon Rapids 4 | (1,165,783) | 12,024 | (97) | 12,024 | (1,165,783) |
| Palouse Wind | 6,881,703 | 403,598 | 17 | 286,860 | 4,891,220 |
| Nine Mile Falls 1 | TBD | 416 | TBD | 416 | TBD |
| Nine Mile Falls 2 | TBD | 977 | TBD | 977 | TBD |
| Kettle Falls | - | 319,425 | - | 33,163 | - |
| EWEB/Stateline | 719,447 | 49,617 | 15 | 49,617 | 719,447 |