

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-13_____

PETITION OF AVISTA CORPORATION

ATTACHMENT A

Avista Contract No. AV-TR12-1110
Bonneville Contract No. 12TX-15710

PARALLEL OPERATION AGREEMENT

between

AVISTA CORPORATION

and the

BONNEVILLE POWER ADMINISTRATION

This PARALLEL OPERATION AGREEMENT (“Agreement”), is executed by AVISTA CORPORATION (“Avista”), a corporation organized and existing under the laws of the State of Washington, and the UNITED STATES OF AMERICA, Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITALS

WHEREAS, Avista owns and operates the Local Avista Transmission System in and around North Lewiston, Idaho and Clarkston, Washington and Bonneville owns and operates the Local Bonneville Transmission System primarily located in southeastern Washington State; and

WHEREAS, the 115kV transmission facilities of Avista and Bonneville are interconnected at the North Lewiston Point of Interconnection; and

WHEREAS, Avista and Bonneville are parties to the Exchange Agreement (Bonneville Contract No. DE-MS79-86BP91948) which provides for the general terms and conditions governing the interconnection of their respective transmission facilities; and

WHEREAS, between June 1, 1998 and January 1, 2010 Bonneville has integrated the Generation Projects and has provided, and is providing, long-term firm transmission service for up to 336MW associated with the output of the Generation Projects; and

WHEREAS, in January 2010, Bonneville and Avista entered into a Parallel Operation and Construction Agreement (Avista Contract No. AV-TR10-1086, Bonneville Contract No. 11TX-15271) (“First Agreement”) to address the parallel capacity support supplied to Bonneville to support the maximum output of the Hopkins Ridge wind generation project, which First Agreement was accepted for filing by the Commission in Docket No. ER11-2733; and

WHEREAS, notwithstanding the terms and conditions of the Exchange Agreement or any other agreement, the Parties wish to establish additional terms and conditions to address the interrelated and aggregate impacts of: (i) the rated capacities of the Local Bonneville Transmission System, (ii) the output of the Generation Projects, and (iii) transmission service provided by Bonneville associated with such output, upon the Local Avista Transmission System while reflecting all compensation previously provided for under the First Agreement; and

WHEREAS, while Bonneville has one or more transmission construction alternatives which may partially or fully meet Bonneville’s transmission capacity needs for the Local

Bonneville Transmission System, the Parties intend to provide a means by which Bonneville might meet such needs in a cost effective manner, which may include the allocation by Avista of parallel capacity support to Bonneville in lieu of construction alternatives; and

WHEREAS, Bonneville and Avista intend to provide for the joint planning and development of their respective local systems and provide for ongoing parallel capacity support supplied to Bonneville by Avista until such time as such support is no longer required by Bonneville.

NOW, THEREFORE, the Parties hereto mutually agree as follows:

1. DEFINITIONS

The following terms, whether in the singular or plural, when initially capitalized in this Agreement shall have the meanings specified:

- 1.1 Applicable Reliability Standard(s) – The standards, requirements and criteria of NERC, WECC and the NWPP as applicable to each Party pursuant to its registered functional status under such standards, requirements and criteria.
- 1.2 Commission – The Federal Energy Regulatory Commission, or its successor.
- 1.3 Generation Projects – The Vansycle (25MW), Stateline (92MW), Hopkins Ridge (157MW) and Combine Hills II (62MW) wind generation projects, with a combined maximum output of 336MW, integrated onto the Local Bonneville Transmission System.
- 1.4 Good Utility Practice – The practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a range of acceptable practices, methods or acts.
- 1.5 Local Avista Transmission System – Avista’s 115kV and 230kV network transmission facilities in the vicinity of Lewiston, Idaho and Clarkston, Washington, including those Avista facilities that operate between the North Lewiston Point of Interconnection and Bonneville’s Hatwai 500/230kV Substation.
- 1.6 Local Bonneville Transmission System – Bonneville’s Franklin-Walla Walla 115kV Transmission Line, Walla Walla 115/69kV Substation, Tucannon River-Walla Walla 115kV Transmission Line, Tucannon River 115kV Switching Station, North Lewiston-Tucannon River 115kV Transmission Line, and their immediate appurtenant facilities.
- 1.7 NERC – The North American Electric Reliability Corporation, or its successor.
- 1.8 NWPP – The Northwest Power Pool, or its successor.

- 1.9 North Lewiston Point of Interconnection – The point at which Bonneville’s North Lewiston-Tucannon River 115kV Transmission Line and Avista’s 115kV facilities at its North Lewiston 230/115kV Substation are connected.
- 1.10 Parallel Capacity Allocation Compensation Amount – The monthly compensation amount for parallel capacity support specified in Exhibit A.
- 1.11 WECC – The Western Electricity Coordinating Council, or its successor.

2. TERM AND REGULATORY FILING

- 2.1 This Agreement shall be effective upon the date executed by both Parties or upon such other date designated by the Commission pursuant to Section 2.4 (“Effective Date”).
- 2.2 Unless terminated earlier pursuant to Section 2.3 or by mutual agreement, this Agreement shall remain in full force and effect through September 30, 2042 (“Initial Term”) and, if not so terminated, shall continue beyond the Initial Term until terminated by either Party upon not less than five (5) years prior written notice to the other Party, such termination to be effective at 2400 hours on September 30th of the year specified in such notice. In the event such notice is given by either Party, the Parties shall work cooperatively and in good faith to address and meet any interim transmission capacity requirements of either Party that may survive on a temporary basis beyond the date of termination.
- 2.3 Bonneville may terminate this Agreement upon no less than one (1) year prior written notice in the event Bonneville’s long-term transmission service obligations associated with the Generation Projects is less than or equal to the rated capacity, for operating periods specified for an ambient temperature of 30°C, of each element of the Local Bonneville Transmission System. Such termination of this Agreement shall not extinguish any obligations accrued hereunder and outstanding at the time of termination, and such obligations shall survive termination to the extent necessary to permit their complete fulfillment or discharge.
- 2.4 Avista shall submit this Agreement to the Commission for filing. The Parties shall support this Agreement in its current form before the Commission when filed and Bonneville shall reasonably cooperate with Avista with respect to obtaining Commission acceptance of such filing and provide any information, including testimony, reasonably required to comply with the applicable filing requirements. In the event the Commission requires modifications of, or conditions to, any of the terms, conditions or charges agreed to herein, the following shall apply:
 - (a) Any Party which takes exception to the Commission’s order shall, within ten (10) calendar days after the issuance of such order, give notice to the other Party of such exception. In such event, the Parties shall promptly commence good faith negotiations to amend this Agreement in a manner acceptable to the Commission to provide similar rights and obligations to the Parties as those originally set forth in this Agreement.

- (b) Notwithstanding the foregoing, the Parties shall retain their rights to seek rehearing and file an appeal of any order issued by the Commission requiring modification of or conditions to this Agreement.

3. LIMITED APPLICABILITY OF AGREEMENT

Any consideration provided for in this Agreement relates only to the aggregate and interrelated impacts of: (i) the rated capacities of the Local Bonneville Transmission System, (ii) the output of the Generation Projects and (iii) firm transmission capacity sold by Bonneville for purposes of transferring the output of the Generation Projects. No consideration is made or implied with respect to the capacity of any other of Bonneville's transmission facilities and any interrelationships therewith or with respect to the output of any other generation project for which Bonneville may provide transmission service and any interrelationships therewith.

4. PARALLEL FLOWS AND PARALLEL CAPACITY SUPPORT

The Parties acknowledge and agree that under normal operating conditions with all transmission facilities in service, a portion of the output of the Generation Projects flows through and across the Local Avista Transmission System. The Parties acknowledge and agree that the Local Avista Transmission System, through the North Lewiston Point of Interconnection, provides operational and parallel transmission capacity support for the Local Bonneville Transmission System and augments Bonneville's transmission capacity used to provide transmission service associated with the Generation Projects. As of the date of execution of this Agreement, the rated capacities of the following Bonneville 115kV transmission line facilities that are included in the Local Bonneville Transmission System, for operating periods specified for an ambient temperature of 30°C, are:

Franklin-Nine Mile Tap	203 MVA
Nine Mile Tap-Walla Walla	132 MVA
Tucannon River-Walla Walla	203 MVA

To the extent the transmission capacity required by Bonneville to provide transmission service associated with the output of the Generation Projects exceeds the rated capacity of any transmission facility named above, the Parties acknowledge and agree that Bonneville requires parallel capacity support provided by the Local Avista Transmission System.

5. USE BY BONNEVILLE OF PARALLEL CAPACITY SUPPORT

Commencing prior to January 1, 2006, and continuing to the termination of this Agreement, Bonneville has required and continues to require parallel capacity support from the Local Avista Transmission System to provide transmission service associated with the Generation Projects. Pursuant to the terms of this Agreement, Avista agrees to make such parallel capacity support available to Bonneville, and Bonneville agrees to provide consideration to Avista for its allocation and use of such parallel capacity support.

6. PAYMENT FOR PARALLEL CAPACITY SUPPORT

- 6.1 In consideration of the parallel capacity support provided by Avista for the benefit of Bonneville for past periods prior to January 1, 2012, the Parties have agreed that Bonneville shall pay to Avista an amount of \$8,500,000, allocated to prior years as follows:

2005	2006	2007	2008	2009	2010	2011	Total
\$696,185	\$660,407	\$615,633	\$600,242	\$783,533	\$2,488,000	\$2,656,000	\$8,500,000

This amount reflects, and is net of, amounts paid by Bonneville under the First Agreement.

- 6.2 In consideration of the parallel capacity support allocated to Bonneville by Avista for the period commencing January 1, 2012 through the termination of this Agreement, Bonneville shall pay to Avista for each month a Parallel Capacity Allocation Compensation Amount based upon the amount of parallel capacity support allocated to Bonneville and Avista’s transmission system cost as reflected in its then-current monthly firm point-to-point transmission service rate stated in its open access transmission tariff (“Transmission Rate”). The initial monthly Parallel Capacity Allocation Compensation Amount is stated in Exhibit A, which is incorporated herein and made a part of this Agreement. In the event the amount of parallel capacity support allocated to Bonneville changes or Avista’s Transmission Rate is revised, the monthly Parallel Capacity Allocation Compensation Amount in Exhibit A shall be adjusted to reflect such revisions. Any such adjustment due to a change in the Transmission Rate shall be effective under this Agreement as of the effective date of the Transmission Rate.
- 6.3 In the event Bonneville’s long-term transmission service obligations associated with the Generation Projects increase or decrease, the Parties shall adjust the level of parallel capacity support allocated to Bonneville by Avista to reflect such increase or decrease. In the event Bonneville completes construction of upgrades to the Local Bonneville Transmission System that result in an increase in the rated capacity, for operating periods specified for an ambient temperature of 30°C, of a transmission facility named in Section 4, the Parties shall adjust the level of parallel capacity support allocated to Bonneville by Avista to reflect such increase, as applicable. In the event Bonneville experiences a reduction in the rated capacity, for operating periods specified for an ambient temperature of 30°C, of a transmission facility named in Section 4 on a long-term basis, the Parties shall adjust the level of parallel capacity support allocated to Bonneville by Avista to reflect such reduction, as applicable. Any increase in the level of parallel capacity support allocated by Avista to Bonneville under this section shall be subject to Avista’s authorization.

- 6.4 Any invoice submitted by Avista to Bonneville shall be sent to the individual and address specified for notices in Section 8. Any such payment by Bonneville to Avista shall be submitted by electronic funds transfer to the account specified on each billing invoice no later than twenty (20) days following the date Avista provides Bonneville with such invoice. Alternatively, for monthly amounts established pursuant to Sections 6.2 and 6.3, the Parties may include such amounts as a credit on Avista's monthly transmission billing from Bonneville.

7. OPERATIONS, SCHEDULING AND PLANNING

- 7.1 No Effect Upon Operating Responsibilities – No terms or conditions provided for herein shall limit or in any way be construed as restricting or superseding either Party's abilities, rights and obligations to operate and maintain its respective transmission facilities pursuant to Applicable Reliability Standards and Good Utility Practice. In the event either Party, pursuant to its Applicable Reliability Standards, determines a need to create or revise any operating or scheduling protocol which may arise out of its performance under this Agreement, the Parties shall work cooperatively to address such protocol.
- 7.2 No Delegation – By entering into this Agreement neither Party assents to the delegation to or from the other Party of any requirement or obligation pursuant to the Parties' respective Applicable Reliability Standards.
- 7.3 No Provision of Transmission Service – This Agreement provides for an allocation of parallel transmission capacity between adjacent and interconnected transmission systems and does not provide for transmission service under any generally applicable tariff or rate schedule. Accordingly, the allocation of parallel capacity support provided for herein does not entail any reservation, scheduling, ancillary service, losses or other obligation on the part of either Party pursuant to any such generally applicable tariff or rate schedule.
- 7.4 Planning – Subject to Applicable Reliability Standards and the Parties' respective planning obligations under other agreements, the Parties represent that it is their intent to coordinate the planning and development of the Local Avista Transmission System and the Local Bonneville Transmission System for purposes of facilitating cost effective transmission solutions, including whether an arrangement for the allocation of parallel capacity support is cost effective relative to construction alternatives.

8. NOTICES

Any notice to be served, given or made in connection with this Agreement, shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by United States mail, properly addressed and stamped with the required postage, as follows:

If to Avista: Attention: Manager, Transmission Services
 Avista Corporation
 1411 East Mission Avenue
 Spokane, WA 99202
 - or -
 P. O. Box 3727
 Spokane, WA 99220-3727

If to Bonneville: Attention: Transmission Account Executive
 for Avista Corporation
 Bonneville Power Administration
 Transmission Sales - TSE/TPP-2
 7500 NE 41st Street, Suite 130
 Vancouver, WA 98662-7905
 - or -
 P. O. Box 61409
 Vancouver, WA 98666-1409

Either Party may change its address specified in this section by giving the other Party notice of such change in accordance with this section.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in their respective names by their duly authorized representatives.

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

/s/ Cathy Ehli

By: Cathy Ehli

Title: Vice President, Transmission Marketing and Sales

Date: December 12th, 2012

AVISTA CORPORATION

/s/ Don Kopczynski

By: Don Kopczynski

Title: Vice President, Energy Delivery

Date: November 6th, 2012

EXHIBIT A

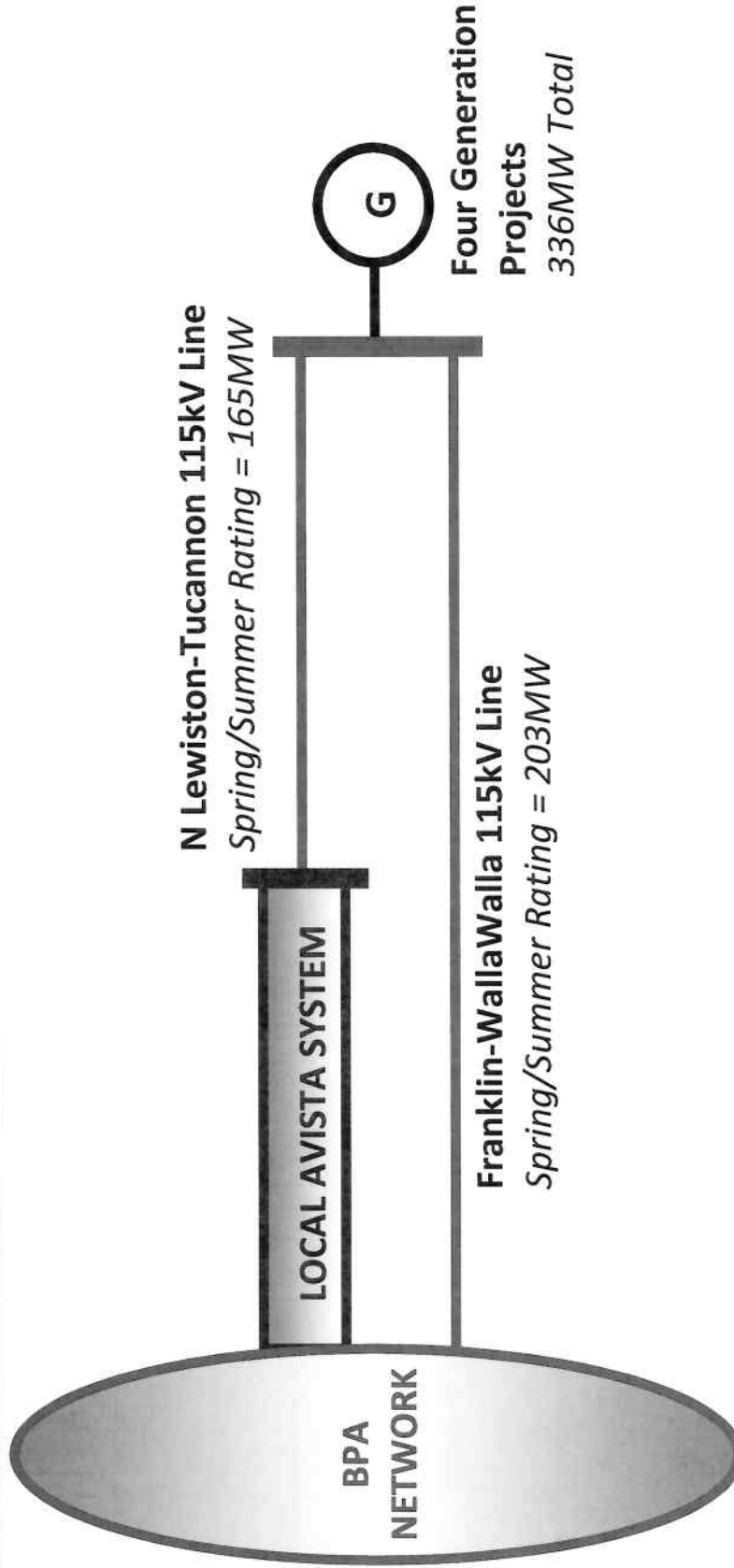
PARALLEL CAPACITY SUPPORT – MONTHLY CHARGE
Pursuant to Section 6.2

<u>Effective Date</u>	<u>Parallel Capacity Allocation</u>	<u>Monthly Parallel Capacity Allocation Compensation Amount</u>
January 1, 2012	133 MW	\$266,000

AVISTA-BONNEVILLE PARALLEL OPERATION AGREEMENT

BONNEVILLE AND AVISTA TRANSMISSION SYSTEMS IN VICINITY OF NORTH LEWISTON POINT OF INTERCONNECTION
(SIMPLIFIED – Excludes other Interconnections)

FERC Filing – Attachment A



Parallel Capacity Support is provided by the Local Avista Transmission System to support local BPA transmission capacity used to move generation output to the main BPA transmission network.



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

December 31, 2012

Via Electronic Filing

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

**RE: Parallel Operation Agreement between Avista Corporation and
Bonneville Power Administration Docket No. ER13-_____**

Dear Secretary Bose:

Avista Corporation ("Avista") hereby submits for filing a Parallel Operation Agreement ("Agreement") between Avista and the Bonneville Power Administration ("Bonneville") as Avista Corporation Rate Schedule FERC No. T-1110.¹ The Agreement is between two neighboring and interconnected transmission systems and is being filed by Avista as an Agreement that may affect transmission.

I. Communications

Avista respectfully requests that the following persons be included on the official service list in this proceeding and that all communications concerning this filing be addressed to them.

Jeff Schlect
Senior Manager, Transmission Services
Avista Corporation
1411 East Mission Ave., MSC-16
Spokane, WA 99202
Telephone: (509) 495-4851
Email: jschlect@avistacorp.com

Michael G. Andrea
Senior Counsel
Avista Corporation
1411 East Mission Ave., MSC-23
Spokane, WA 99202
Telephone: (509) 495-2564
Email: michael.andrea@avistacorp.com

¹ Avista originally filed the Parallel Operation Agreement on December 28, 2012, in Docket No. ER13-660. On December 31, 2012, Avista withdrew the filing in ER13-660 because it inadvertently filed an incorrect version of the Parallel Operation Agreement in that docket.

II. Background and Description of Filing

Avista and Bonneville each own and operate transmission systems that are interconnected at various points. Specifically, for purposes of this filing, Avista owns and operates its Local Avista Transmission System in and around North Lewiston, Idaho, and Clarkston, Washington. Avista's and Bonneville's Transmission Systems are interconnected at the North Lewiston Point of Interconnection. Avista and Bonneville are parties to an Exchange Agreement (Avista Rate Schedule FERC No. 184) which provides the general terms and conditions governing the interconnection of the parties' respective transmission facilities.

Between June 1998 and December 2009, Bonneville integrated four generation projects onto its 115 kV transmission system between Lewiston, Idaho, and Pasco, Washington. Bonneville is currently providing 336 MW of long-term firm transmission service associated with the output of these generation projects and, since at least January 1, 2006, Bonneville has required parallel capacity support from the Local Avista Transmission System in order to fulfill its transmission obligations associated with the four generation projects. A simplified pictorial representation of the parallel capacity support provided by Avista for the benefit of Bonneville is included as Attachment A to this filing.

Since mid-year 2010, Avista and Bonneville have engaged in negotiations regarding this issue. On October 5, 2010, Avista filed an unsigned service agreement with the Commission in Docket No. ER11-25-000 and asked the Commission to defer any action in the proceeding pending ongoing negotiations between Avista and Bonneville to settle their disputed issues. On January 24, 2011, Avista filed a *Parallel Operation and Construction Agreement* between Avista and Bonneville ("First Agreement") in Docket No. ER11-2733-000, which provided for an interim arrangement and partial settlement of some of the issues being addressed by the parties. The Commission accepted the First Agreement for filing on February 28, 2011. The First Agreement expired under its own terms on November 10, 2011, upon Bonneville's completion of certain upgraded facilities.

Following the First Agreement, the parties continued negotiations regarding a broader set of historical and ongoing issues, including the possibility of Bonneville constructing new transmission facilities in lieu of compensating Avista for parallel capacity support into the future. Following extensive negotiations, the parties have reached a settlement of all historical issues related to Avista's provision of parallel capacity support necessary for Bonneville to fulfill its transmission obligations associated with the four generating projects at issue and have agreed upon a going-forward approach that provides Bonneville with a cost effective means of meeting certain long-term transmission service obligations in the southeastern Washington area. Upon the Commission's acceptance of this Agreement, Avista will submit a request to withdraw its filing in Docket No. ER11-25-000, thereby closing out all matters in this dispute.

The approach contemplated under the Agreement builds upon and is basically the same as the approach accepted by the Commission in the First Agreement. The Local Avista Transmission System and Local Bonneville Transmission System effectively operate in parallel (see Attachment A). Absent the parallel support of the Local Avista Transmission System, Bonneville would not have sufficient transmission capacity to accommodate its long-term

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transmission service obligations using the Local Bonneville Transmission System. The Agreement does not provide for traditional transmission service, but is akin to a joint construction and allocation agreement between neighboring transmission systems based upon a jointly developed plan of service as to how to meet the local needs of the interconnected transmission system in this local area. The cost of parallel capacity support paid by Bonneville is commensurate with Avista's embedded cost of transmission as reflected in Avista's then-current transmission rates accepted by the Commission.

The Agreement is a result of extensive arm's-length negotiation between Avista and Bonneville and provides an agreed upon mechanism to settle certain disputed issues between the parties. In a collaborative approach intended to provide a cost effective means of meeting local transmission capacity obligations in southeastern Washington State, Bonneville has agreed to compensate Avista for parallel capacity support in lieu of constructing additional transmission facilities at this point in time. Bonneville retains the ability to pursue future transmission construction alternatives should such construction alternatives become a cost effective means of meeting Bonneville's local transmission needs. The historical and ongoing payment levels identified in the Agreement represent an agreeable compromise between the parties in settling their respective positions related to such parallel capacity support, both on a historical and ongoing basis. Avista has received Bonneville's authorization to represent that Bonneville supports the Agreement and will not oppose this filing.

III. Contents of Filing

Avista respectfully tenders for filing an electronic copy of the following documents:

1. Transmittal letter; and
2. The Parallel Operation Agreement between Avista Corporation and the Bonneville Power Administration, Avista Rate Schedule FERC No. T-1110; and
3. Attachment A – Pictorial Representation of Parallel Capacity Support.

IV. Service, Effective Date and Waiver

This filing is being served on Bonneville by providing true and correct copies to:

Stephen R. Larson
Bonneville Power Administration
Office of General Counsel
905 NE 11th Ave., L-7
Portland, OR 97208

Toni L. Timberman
Bonneville Power Administration
Transmission Sales – TSE/TPP-2
7500 NE 41st Street, Suite 130
Vancouver, WA 98662-7905

Avista respectfully requests that, to the extent necessary, the Commission waive any prior notice requirement and accept the Agreement for filing to be effective immediately or as soon as possible. Also, to the extent necessary for immediate acceptance of the Agreement, Avista also

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requests waiver of any of the applicable requirements of Part 35 of the Commission's regulations.

V. Conclusion

Avista respectfully requests that the Commission accept the attached Agreement for filing with an immediate effective date or as soon as possible.

Sincerely,

/s/ Jeff Schlect

Jeff Schlect
Senior Manager, FERC Policy
and Transmission Services

Enclosures