

Appendix B

Incremental Cost Calculations

Avista Corporation

2012 Incremental Cost Calculation

WAC 480-109-040 (b)

Resource	Capital Revenue Requirement	Change to Expense/Estimated O&M	Substitution Resource: Energy Value	Renewable Energy Credit Sales	Substitution Resource: Capacity Value	Total Revenue Requirement	MWh	\$/MWh	Notes
Little Falls 3	\$77,979	\$0	-\$67,765	\$0	\$0	\$10,214	4,862	\$2.10	
Long Lake 4	\$31,490	\$0	-\$211,490	\$0	\$0	-\$180,000	14,197	-\$12.68	
Cabinet Gorge 2	\$778,105	-\$27,239	-\$224,412	\$0	\$0	\$526,454	29,008	\$18.15	Uses levelized estimated O&M savings from 2009 to 2034
Cabinet Gorge 3	\$640,383	\$0	-\$461,130	\$0	\$0	\$179,253	45,808	\$3.91	
Cabinet Gorge 4	\$428,514	-\$26,319	-\$393,168	\$0	\$0	\$9,027	20,517	\$0.44	Uses levelized estimated O&M savings from 2009 to 2034
Noxon Rapids 1	\$2,149,114	\$0	-\$369,661	\$0	\$0	\$1,779,453	21,435	\$83.02	
Noxon Rapids 2	\$1,083,015	\$0	-\$145,349	\$0	\$0	\$937,666	7,709	\$121.63	
Noxon Rapids 3	\$1,082,233	\$0	-\$223,753	\$0	\$0	\$858,480	14,529	\$59.09	
Noxon Rapids 4	\$1,082,628	\$0	-\$98,417	\$0	\$0	\$984,211	10,934	\$90.01	First year of asset life, includes partial year generation
Wanapum Fish Bypass	\$0	\$387,751	-\$238,586	\$0	\$0	\$149,165	22,206	\$6.72	Uses average cost of contract for change to expense
Palouse Wind	\$0	\$1,741,912	-\$1,388,677	-\$466,871	\$0	-\$113,637	61,450	-\$1.85	2012 is mostly test power at below market prices
Total	\$7,353,461	\$2,076,105	-\$3,822,407	-\$466,871	\$0	\$5,140,288	252,655	\$20.35	

2012 Washington Production and Transportation Ratio

65.01%

The actual 2012 Production and Transportation ratio

Washington Share	\$4,780,485	\$1,349,676	-\$2,484,947	\$0	\$3,341,701	164,251	\$20.35
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Market Value of Idaho Transferred Incremental Hydro/Palouse REC sales

Palouse RECs	\$0	\$192,437	\$0	\$0	\$192,437	21,501	\$8.95	REC value based on actual Palouse REC sales for 2012
Incremental Hydro Transfer	\$0	\$55,680	\$0	\$0	\$55,680	66,903	\$0.83	REC value based on similar REC type from 2012

Total Cost **\$3,589,819** **231,153**

2012 Washington Revenue Requirement

\$455,105,000

The 2012 Washington authorized revenue requirement

Adjusted 2012 Revenue Requirement

\$451,515,181

% Change to Revenue Requirement

0.7951%

Notes

Capital Revenue Requirement: includes depreciation, property tax, tax credits, tax benefits from interest, depreciation, and return on investment.

Change to Expense/O&M: includes estimated savings or costs associated with the upgrade. Includes miscellaneous charges such as excise taxes, uncollectibles, and commission fees at 4.32%

Substitution Resource Energy Value: Is the 2012 market value of the expected generation using Mid-Columbia on/off peak firm power for each month. Includes miscellaneous charges

Substitution Resource Capacity Value: Is the value of deferred capacity (if any)

Renewable Energy Credit Sales: Revenue from any actual third party renewable energy credit (REC) sales grossed up for miscellaneous charges

Total Revenue Requirement: Sum of Capital Revenue Requirement, Change to Expense/O&M, and Substitution Resource.

MWh: Annual average generation for incremental hydro and actual generation for other resources

\$/MWh: Total revenue requirement divided by total MWh