

Appendix B

May 30, 2014 Incremental Cost Calculations

Avista Corporation

2013 Incremental Cost Calculation

WAC 480-109-040 (b)

Resource	Capital Revenue Requirement	Change to Expense/ Estimated O&M	Integration Cost	Substitution Resource: Energy Value	Renewable Energy Credit Sales	Substitution Resource: Capacity Value	Total Revenue Requirement	MWh	\$/MWh	Notes
Little Falls 4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	4,862	\$0.00	In development/completed prior to Nov. 2006
Long Lake 3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	14,197	\$0.00	In development/completed prior to Nov. 2006
Cabinet Gorge 2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	29,008	\$0.00	In development/completed prior to Nov. 2006
Cabinet Gorge 3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	45,808	\$0.00	In development/completed prior to Nov. 2006
Cabinet Gorge 4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	20,517	\$0.00	In development/completed prior to Nov. 2006
Noxon Rapids 1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	21,435	\$0.00	In development/completed prior to Nov. 2006
Noxon Rapids 2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	7,709	\$0.00	In development/completed prior to Nov. 2006
Noxon Rapids 3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	14,529	\$0.00	In development/completed prior to Nov. 2006
Noxon Rapids 4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	12,024	\$0.00	In development/completed prior to Nov. 2006
Wanapum Fish Bypass	\$0	\$0	\$0	\$0	\$0	\$0	\$0	21,927	\$0.00	In development/completed prior to Nov. 2006
Palouse Wind	\$399,607	\$16,333,515	\$182,863	-\$7,838,323	-\$832,388	\$0	\$8,245,275	297,027	\$27.76	Based on actual 2013 market values and payments
Total	\$399,607	\$16,333,515	\$182,863	-\$7,838,323	-\$832,388	\$0	\$8,245,275	489,043	\$16.86	

2013 Washington Production and Transportation Ratio

64.31%

The actual 2013 Production and Transportation ratio

Washington Share	\$256,987	\$10,958,774	\$122,690	-\$5,259,027	-\$558,480	\$0	\$5,302,536	314,503	\$16.86	<i>Includes adjustment for commission fees, uncollectibles, and excise taxes</i>
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Market Value of Idaho Transferred Incremental Hydro/Palouse REC sales

Palouse RECs	\$0	\$297,079	\$0	\$0	\$0	\$0	\$297,079	106,009	\$2.80	<i>REC value based on actual Palouse REC sales for 2013</i>
Incremental Hydro Transfer	\$0	\$52,632	\$0	\$0	\$0	\$0	\$52,632	68,530	\$0.77	<i>REC value based on similar REC type from 2013</i>

Total Cost **\$5,652,247** **383,034**

2013 Washington Revenue Requirement

\$468,890,000

The 2013 Washington authorized revenue requirement

Adjusted 2013 Revenue Requirement

\$463,237,753

% Change to Revenue Requirement

1.2202%

Notes

Capital Revenue Requirement: includes commission fees, depreciation, excise tax, 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.

Substitution Resource Energy Value: Is the 2013 market value of the expected generation using Mid-Columbia on/off peak firm power for each month.

Integration Costs: Based on 2007 Avista wind integration study (page 50) adjusted for capacity and market prices

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

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