

Avista Corporation
Petition for Deferral of Lancaster Costs

The actual Lancaster Power Purchase Agreement (PPA) costs and benefits will be calculated each month as follows:

<u>Lancaster Costs</u>	<u>Basis for Deferral Amount</u>
<u>PPA Charges</u>	As booked in Account 555
<u>Fuel Supply</u>	Fuel supply expense includes the cost and revenue of actual prior gas purchases and sales for Lancaster plus any remaining daily gas purchases priced at the daily gas price. Specifically, on a daily dth basis, actual gas purchases sales plus gas delivered to the plant minus actual gas sales purchases with the resulting remaining daily balance priced at the daily Lancaster gas price, plus the dollar cost and revenue of the actual purchases and sales.

The formula is shown below:

$\begin{aligned} & \text{Actual dth } \cancel{\text{purchases}} \text{-sold} + \text{dth delivered to the plant} - \text{actual dth } \cancel{\text{sold}} \text{ } \cancel{\text{purchased}} = \text{daily} \\ & \text{balance in dth} \\ & \times \text{daily Lancaster gas price} = \text{the dollar cost of net daily gas purchases} \\ & + \text{the dollar cost and revenue of actual gas purchases and actual gas sales} \\ & = \text{the total Lancaster fuel supply cost including optimization strategies} \end{aligned}$

Note: Actual purchases and sales are those transaction internally tagged as Lancaster transactions.

<u>Gas Transportation</u>	As booked in Account 547 for Lancaster gas transportation
<u>Transmission</u>	As booked in Account 565 for Lancaster transmission plus any additional transmission purchased for Lancaster. Transmission expenses include BPA demand charge and other charges (reserves, imbalance charges, any other BPA ancillary and O&M charges). Transmission for

generation over 250 MW in any hour will be included at an hourly non-firm transmission rate.

Station Service

Scheduled station service multiplied by the Mid C index power price for the appropriate delivery period.

Lancaster Benefits

Basis for Deferral Amount

Power Value

Power value includes the cost and revenue of actual prior electricity purchases and sales for Lancaster plus any remaining hourly generation sales priced at the Mid C electricity index price for the appropriate delivery period. Specifically, on an hourly MWh basis, Lancaster actual electricity purchases plus generation minus actual electricity sales with the remaining generation priced at the Mid C index electricity price for the appropriate delivery period, plus the dollar cost and revenues of actual purchases and sales.

The formula is shown below:

<p>Actual MWh purchases + actual generation – actual MWh sold = daily balance in MWh</p> <p>x Mid C index electricity price = the dollar value of balancing electricity sales</p> <p>+ the dollar cost and revenue of actual electricity purchases and actual electricity sales</p> <p>= the total value of Lancaster generation and optimization strategies</p>
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Note: Actual purchases and sales are those transaction internally tagged as Lancaster transactions.

Transmission

When the plant is generating under 250 MW the value of unused Lancaster BPA PTP transmission will be credited to Lancaster to the extent Avista has sold or redirected unused Lancaster transmission. For purposes of the deferral, Avista will sell or redirect Lancaster unused transmission before other unused BPA PTP transmission.