

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-11 \_\_\_\_\_

EXHIBIT NO. \_\_\_\_ (WGJ-3)

WILLIAM G. JOHNSON

REPRESENTING AVISTA CORPORATION

**Avista Corp.**  
**Brief Description of Power Supply Adjustments**

**Line No.**

- 1 **Modeled Short-term Market Purchases** - Short-term purchases from the AURORA Dispatch Simulation Model.
- 2 **Actual ST Market Purchases-Physical** – Expense of the actual term physical power transactions entered into for the pro forma period as of 02-08-11.
- 3 **Actual ST Purchases – Financial M-to-M** – Mark to model price expense of actual financial (fixed for floating swaps) power purchases entered into for the pro forma period as of 02-08-11.
- 4 **Rocky Reach** - The pro forma cost for Rocky Reach is \$0 because the contract ends 10-31-11.
- 5 **Rocky Reach/Rock Island Purchase** – The pro forma expense is based on a purchase of a portion of Rocky Reach and Rock Island generation beginning July 1, 2011.
- 6 **Wells – Avista Share** - Wells’ costs are based on the Company's 3.34% share of total cost at project costs.
- 7 **Wells – Colville Tribe’s Share** - The 2010 test-year included 4.5% of Well’s output purchased from the Colville Indian Tribe.
- 8 **Priest Rapids Project** - Priest Rapids Project expense includes the expense related to the purchased power from the Priest Rapids development and power from the Wanapum development.
- 9 **Wanapum** – The Wanapum contract ended 10-31-2009. The 2010 test-year included a true-up of 2009 payments.
- 10 **Grant Displacement** – The 2010 test-year expense included a purchase from Grant PUD that ends 9-30-11.
- 11 **Douglas Settlement** – Douglas Settlement is for power Avista purchases from Douglas PUD per the 1989 Settlement Agreement.
- 12 **Lancaster Capacity Payment** – The Lancaster capacity payment includes a capital payment and a fixed O&M payment.

- 13 **Lancaster Variable O&M Payments** – the Lancaster variable O&M payment is based on the variable O&M rate in the Lancaster Power Purchase Agreement multiplied time the MWh of Lancaster generation in the pro forma.
- 14 **Lancaster BPA Reserves** – The pro forma expense is \$0 because Lancaster was moved (electronically) into Avista’s balancing authority on March 29, 2011 so purchases of generation reserves from BPA are longer required.
- 15 **WNP-3** - Pro forma costs are based on the midpoint. The pro forma uses the actual midpoint of the ceiling and floor prices identified in the contract for contract year 2010 through 2011 escalated at the 5-year average escalation rate to the pro forma period.
- 16 **Deer Lake-IP&L** - Pro forma expense is for power purchased from Inland Power to serve Avista customers.
- 17 **Small Power** – Pro forma costs are based on 5-year average generation and an average contract rate.
- 18 **Stimson** – This purchase is from the cogeneration plant at Plummer, Idaho. Pro forma costs are based on 5-year average generation and pro forma period contract rates.
- 19 **Spokane-Upriver** – Pro forma expense is based on a purchase of the net of pumping (at the plant) generation at a contract based on Washington’s Schedule 62 avoided cost rates.
- 20 **Black Creek Index Purchase** - Pro forma expense is \$0 because the contract ended March 25, 2011.
- 21 **Non-Monetary** - Expense is normalized to \$0 in the pro forma.
- 22 **Contract A** – This contract ended 12-31-10.
- 23 **Contract B** - This contract ended 12-31-10.
- 24 **Contract C** - This contract ended 12-31-10.
- 25 **Contract D** - This contract ended 12-31-10.
- 26 **Clearwater Paper Co-Gen Purchase** - Pro forma expense is \$0 because Potlatch purchase expense is directly assigned to the Idaho jurisdiction and is not included in system power supply expense.
- 27 **Ancillary Services** – Pro forma expense is \$0 because this is an intra-utility expense (matching revenue in Account 447).

- 28 **Stateline Wind Purchase** – Pro forma expense is \$0 because the contract was scheduled to end 12-31-2011. (It was extended to 4-30-2014 on April 20, 2011, after the pro forma expense was developed).
- 29 **Total Account 555**
- 30 **Broker Commission Fees** – Pro forma expense is associated with purchases and sales of electricity and natural gas fuel.
- 31 **REC Purchases** – Expense is for the purchase of California certifiable renewable Energy Credits to support the SMUD Sale.
- 32 **EIA REC Purchase** – This expense is for the purchase of Renewable Energy Credits to meet the requirements of Washington’s Energy Independence Act (EIA).
- 33 **Natural Gas Fuel Purchases** – This is the expense for natural gas purchased for but not consumed for generation. Pro forma expense is \$0 because all gas purchased is assumed to be used for generation, and included in Account 547.
- 34 **Total Account 557**
- 35 **Kettle Falls Wood Fuel Cost** – Pro forma fuel expense is based on the generation of the Kettle Falls plant in the AURORA Model and the unit cost of available fuel.
- 36 **Kettle Falls-Start-up Gas** – Pro forma expense is for start-up gas at Kettle Falls and is based on the test-year expense.
- 37 **Colstrip Coal Cost** – Pro forma fuel expense is based on the generation of the Colstrip plant in the AURORA Model and the unit cost of fuel under the contract.
- 38 **Colstrip Oil** – Pro forma expense is for start-up oil expense. Pro forma is based on the test-year expense.
- 39 **Total Account 501**
- 40 **Coyote Springs Gas** – Pro forma expense is an output of the AURORA Model based on the pro forma unit cost of fuel and the dispatch of the plant, which determines the volume of fuel consumed.
- 41 **CS2 Gas Transportation** – This expense is for transportation of natural gas from AECO to the Coyote Springs 2 plant.

- 42 **Lancaster Gas** - Pro forma expense is an output of the AURORA Model based on the pro forma unit cost of fuel and the dispatch of the plant, which determines the volume of fuel consumed.
- 43 **Lancaster Gas Transportation** – This expense is for natural gas transportation to the Lancaster plant.
- 44 **Lancaster Gas Transportation Optimization** - This credit to expense is based on optimizing the gas transportation contracts for Coyote Springs 2 and Lancaster. In general, this involves trading the gas price spread between AECO (Canada) and Malin.
- 45 **Actual Physical Gas Transaction M-to-M** – Mark-to-model price expense of actual physical gas purchases entered into for the pro forma period as of 02-08-11. The number is positive because actual physical gas purchases are at a higher price or sales are at a lower price than the gas price used in the AURORA model.
- 46 **Actual Financial Gas Transactions M-to-M** – Mark-to-model price expense of actual financial gas purchases entered into for the pro forma period as of 02-08-11. The number is negative because actual financial gas purchases are at a lower price or sales are at a higher price than the gas price used in the AURORA model.
- 47 **Gas Transportation for BP, NE and KFCT** – This expense is for transportation of natural gas to serve Boulder Park, Northeast and Kettle Falls Combustion Turbine gas-fired plants.
- 48 **Rathdrum Gas** – Pro forma expense is an output of the AURORA Model based on the pro forma unit cost of fuel and the dispatch of the plant, which determines the volume of fuel consumed.
- 49 **Northeast CT Gas** – Pro forma expense is an output of the AURORA Model based on the pro forma unit cost of fuel and the dispatch of the plant (including test firing), which determines the volume of fuel consumed.
- 50 **Boulder Park Gas** – Pro forma expense is an output of the AURORA Model based on the pro forma unit cost of fuel and the dispatch of the plant, which determines the volume of fuel consumed.
- 51 **Kettle Falls CT Gas** – Pro forma expense is an output of the AURORA Model based on the pro forma unit cost of fuel and the dispatch of the plant, which determines the volume of fuel consumed.
- 52 **Total Account 547**

- 53 **WNP-3 Transmission** – Pro forma WNP-3 wheeling is based on 32.22 MW at a rate of \$2.04/kW/mo.
- 54 **Sand Dunes-Warden** - Pro forma expense is for a transmission expense with Grant PUD.
- 55 **Black Creek Wheeling** – Pro forma expense is \$0 because the contract ended March 25, 2011.
- 56 **Wheeling for System Sales and Purchases** – Pro forma expense is for short-term transmission purchases.
- 57 **PTP for Colstrip and Coyotes Springs 2**– This wheeling is for the transmission of 196 MW from Colstrip at the Garrison substation and 272 MW from the Coyote Springs 2 plant to Avista’s system. Pro forma expense is based on 468 MW of capacity at a rate of \$1.501/kW/mo.
- 58 **PTP for Lancaster** – This wheeling is for the transmission from the Lancaster plant to Avista’s system. Pro forma expense is based on 250 MW of capacity at a rate of \$1.501/kW/mo.
- 59 **BPA Townsend-Garrison Wheeling** – This expense is for the transmission of Colstrip power from the Townsend substation to the Garrison substation.
- 60 **Avista on BPA Borderline** – This expense is to serve Avista load off of BPA transmission. Expense is based on Avista’s borderline loads priced at BPA’s NT transmission rates plus ancillary services cost and use of facilities charges.
- 61 **Kootenai for Worley** – This expense is for Avista load served using Kootenai’s facilities.
- 62 **Sagle-Northern Lights** – Expense is for transmission purchased from Northern Lights Utility to serve Avista customers.
- 63 **Garrison Burke** – Garrison Burke wheeling is an expense for the transmission of Colstrip energy above 196 MW from the Garrison substation over Northwestern Energy’s transmission system to the interconnection of Northwestern Energy and Avista.
- 64 **PGE Firm Wheeling** – PGE Firm wheeling reflects the cost of transmission from the John Day substation to COB (Intertie South) purchased from Portland General Electric. The Pro forma expense is based on 100 MW at the current rate of \$.53549/kW/mo.
- 65 **Total Account 565**

- 66 **Headwater Benefits Expense** – Pro forma expense is based on the expense for contract year September 2010 through August 2011.
- 67 **Rathdrum Municipal Payment** – This includes a payment in Jan. 2011 of \$160,000 to the city of Rathdrum for mitigation related to the Rathdrum generating facility.
- 68 **Total Expenses** – Sum of Accounts 555, 557, 501, 547, 565, 536, and 549.
- 69 **Modeled Short-Term Market Sales** - Short-term market sales from the AURORA Model simulation.
- 70 **Actual ST Market Sales - Physical** – Revenue from the actual term transactions entered into for the pro forma period as of 2-08-11.
- 71 **Actual ST Market Sales-Financial M-to-M** – Mark to model price of actual financial power sales entered into for the pro forma period as of 02-08-11.
- 72 **Peaker (PGE) Capacity Sale** – This pro forma revenue is based on 150 MW of capacity at a price of \$1/kW/mo less a contract servicing fee. This contract is related to the sales of capacity to Portland General Electric, which was monetized in 1998.
- 73 **Nichols Pumping Sale** – This is a sale of energy to other Colstrip Units 3 and 4 owners at the Mid-Columbia index price less \$2.05/MWh. Pro forma revenue is based on approximately 8 aMW at the market price (less \$2.05/MWh) as determined by the AURORA model.
- 74 **Sovereign/Kaiser DES** – This contract provides load control services to Kaiser’s Trentwood plant. (Contract details are provided in a CONFIDENTIAL workpaper).
- 75 **Pend Oreille DES & Spinning Reserves** – This contract provides load control and spinning reserves for Pend Oreille PUD. (Contract details are provided in a CONFIDENTIAL workpaper).
- 76 **Northwestern Load Following** – Pro forma revenue is \$0 because the contract ended 1-9-11.
- 77 **NaturEner** – This contract provides load following capacity to a Montana wind facility. Contract ends 08-31-11.
- 78 **SMUD Sale** – Pro forma revenue is the expected margin (margin only, not including index priced energy) from the sale of energy and associated renewable energy credits.

- 79 **Ancillary Services** – Pro forma revenue is \$0 because it is intra-utility revenue (matching expense in Account 555).
- 80 **Total Account 447**
- 81 **Renewable Energy Credit Sales** – Pro forma revenue is based on 2010 test-year revenue for non-reoccurring renewable energy credit sales.
- 82 **Gas Not Consumed Sales Revenue** - This is the revenue for natural gas purchased for but not consumed for generation. Pro forma revenue is \$0 because all gas purchased is assumed to be used for generation, and included in Account 547.
- 83 **Total Account 456**
- 84 **Upstream Storage Revenue** – Pro forma revenue is based on the revenue for contract year September 2009 through August 2010.
- 85 **Total Revenue** – Sum of Accounts 447, 456, 453 and 454.
- 86 **Total Net Expense** – Total expense minus total revenue.