

Appendix B

Incremental Cost Calculations

Avista Corporation

2011 Incremental Cost Calculation

WAC 480-109-040 (b)

Resource	Capital Revenue Requirement	Change to Expense/Estimated O&M	Substitution Resource: Energy Value	Substitution Resource: Capacity Value	Total Revenue Requirement	MWh	\$/MWh	Notes
Little Falls 3	\$82,058	\$0	-\$95,591	\$0	-\$13,533	4,862	-\$2.78	
Long Lake 4	\$28,400	\$0	-\$287,627	\$0	-\$259,227	14,197	-\$18.26	
Cabinet Gorge 2	\$821,526	-\$26,109	-\$478,010	\$0	\$317,407	29,008	\$10.94	Uses levelized estimated O&M savings from 2009 to 2034
Cabinet Gorge 3	\$674,879	\$0	-\$734,501	\$0	-\$59,622	45,808	-\$1.30	
Cabinet Gorge 4	\$445,312	-\$25,227	-\$481,194	\$0	-\$61,109	20,517	-\$2.98	Uses levelized estimated O&M savings from 2009 to 2034
Noxon Rapids 1	\$2,274,961	\$0	-\$488,028	\$0	\$1,786,933	21,435	\$83.37	
Noxon Rapids 2	\$1,146,838	\$0	-\$120,509	\$0	\$1,026,329	4,758	\$215.70	First year of asset life, includes partial year generation
Noxon Rapids 3	\$1,074,134	\$0	-\$317,226	\$0	\$756,908	14,529	\$52.10	
Wanapum Fish Bypass	\$0	\$417,064	-\$320,698	\$0	\$96,365	16,989	\$5.67	Uses average cost of contract for change to expense
Total	\$6,548,108	\$365,728	-\$3,323,385	\$0	\$3,590,451	172,103	\$20.86	

2011 Washington Production and Transportation Ratio

65.24%

The actual 2011 Production and Transportation ratio

Washington Share	\$4,271,986	\$238,601	-\$2,168,176	\$0	\$2,342,410	112,280	\$20.86
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2011 Washington Revenue Requirement

\$428,573,000

The 2011 Washington authorized revenue requirement

Adjusted 2011 Revenue Requirement

\$426,230,590

% Change to Revenue Requirement	0.550%
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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.

Substitution Resource Energy Value: Is the 2011 market value of the expected generation using Mid-Columbia on/off peak firm power for each month.

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

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