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Mechanism for Changing Business Practices

Avista will provide reasonable notice of any proposed additions, deletions, or modifications to its rules, standards, and practices on its public website with a corresponding electronic link to its [Open Access Same-time Information System \(“OASIS”\)](#). Such notice will be posted by the later to occur of (i) 30 days before the changes are to go into effect and (ii) the earliest date by which such notice is reasonably practicable. Such notice of changes shall include the associated proposed effective date for such changes.

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Upon the posting of such notice, each person or entity that has requested notice of changes to Avista’s OASIS and has provided the necessary contact information will receive notice of such posting. Any person or entity may request to be placed on Avista’s notice list for changes to Avista’s rules, standards and practices by providing a valid e-mail contact. To do so, please e-mail Cathy Williams at cathy.williams@avistacorp.com.

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Section 1: Ancillary Services

Ancillary Service obligations for users of Avista’s Transmission System are established on a monthly basis: For example, under Schedule 5 – Operating Reserve – Spinning Reserve Service, it states, "The Transmission Customer shall compensate the Transmission Provider at the **monthly** rate for Spinning Reserve Service applied to the Transmission Customer’s **monthly** Spinning Reserve Service obligation. The **monthly** rate for Spinning Reserve Service shall be no greater than \$8.94 per kW (or the then current rate)."

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It is Avista’s intent to apply Ancillary Service charges to any Transmission Customer that reserves service for a duration **less than** one month by applying the charges in a manner similar to the way charges are calculated for Point-to-Point Transmission Service under Schedules 7 and 8 in Avista’s Open Access Transmission Tariff ("Tariff"). This method uses the following equivalents: yearly = monthly x 12, weekly = yearly / 52 and daily = weekly / 5.

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Therefore, the applicable rates for durations of service that are less than one-month are:

- \$8.94 per kW per month
- \$2.063 per kW per week
- \$0.4126 per kW per day

The peak hourly reservation within a day will be taken as the value for that day and used in the calculations for daily charges.

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The above methodology will apply using the then current rates provided in SCHEDULE 3 – Regulation and Frequency Response Service, SCHEDULE 5 – Operating Reserve – Spinning Reserve Service, and SCHEDULE 6 – Operating Reserve – Supplemental Reserve Service in Avista’s Tariff to calculate the charges for Ancillary Services.

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Section 2: Capacity Benefit Margin

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Capacity Benefit Margin (“CBM”) represents the amount of transmission transfer capability reserved by load serving entities to ensure access to generation from interconnected systems to meet generation reliability requirements.

The Company has set the amount of CBM required for Avista-LSE to 0 MW. If the Company determines CBM is required at a future time, the following CBM practice will be used.

USE OF CBM:

CBM can only be used by Avista-LSE if the following two requirements have been met:

- Avista-LSE is experiencing a generation deficiency; and
- There is no Available Transfer Capability (“ATC”) remaining on the path segments listed above to import energy.

Before CBM can be used the following step must be taken:

- All non-firm sales have been terminated.
- Direct-Control Load Management has been implemented.
- Customer interruptible demands have been interrupted.

TRANSMISSION AVAILABILITY:

The transmission capacity reserved as CBM on the Companies transmission system is available via the Avista OASIS systems as non-firm transmission service.

AFTER USE OF CBM:

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After the use of CBM for an Energy Emergency, the Company shall post on the Avista OASIS within 15 calendar days the following:

- Circumstances.
- Duration.
- Amount of CBM used.

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Section 3: Credit Transmission Policy

See Attachment L of Avista's Tariff

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Section 4: Curtailment of Firm Transmission

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If service must be curtailed for reliability reasons, Non-Firm service will be curtailed first. (Section 13.6 of Avista's Tariff)

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Further curtailments will be proportionally allocated among Native Load Customers, Network Customers, and Customers taking Firm service.

Avista curtails based on a percent of transmission rights. The following example helps to explain Avista's transmission curtailment practice.

Example: The TTC of a path is 2000 MW

- Customer A has a contract on that path for 1500 MW Firm
- Customer B has a contract on that path for 500 MW Firm
- Both customers are scheduling and have transmission rights for the same direction.

Situation:

- Customer A has scheduled a physical flow of 750 MW.
- Customer B has scheduled a physical flow of 500 MW.

An un-planned outage changes the Operational Transfer Capability of the path to 1000 MW.

In the situation described above Customer A has transmission rights to 75% (1500MW of 2000 MW) of what is available and Customer B has rights to 25% (500 MW of 2000 MW) of what is available. Customer A keeps their scheduled 750 MW and Customer B is curtailed to 250 MW. This methodology will be used for any curtailments slated to be implemented beyond the next operating hour.

As for curtailments necessary to be implemented within the hour or the next hour, non-firm service will be curtailed first and best efforts will be made to perform pro-rata curtailments of firm service based on transmission rights thereafter. Avista's Tariff does provide, however, for some flexibility under emergency conditions. Section 13.6 of the Tariff (second-to-last sentence) reads:

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However, the Transmission Provider reserves the right to Curtail, in whole or in part, any Firm Point-To-Point Transmission Service provided under the Tariff when, in the Transmission Provider's sole discretion, an emergency or other unforeseen condition impairs or degrades the reliability of its Transmission System.

In other words, if emergency conditions dictate that there is insufficient time to curtail pro-rata based on transmission rights, the Tariff provides the Transmission Provider with the ability to relieve the constraint without hindering reliable operations by taking additional time to implement pro-rata curtailments. It is generally understood that in such an

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emergency, it is likely that only moving generation will effectuate a cure, and the best course would be to curtail schedules that will actually affect generation dispatch.

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Section 5: Interim Resource Un-Designation

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Introduction

Avista-Transmission establishes this interim business practice associated with Network Integration Transmission Service and transmission service to bundled retail native load customers by Avista’s Load-Serving Entity (“Avista-LSE”). This interim business practice provides Network Customers and Avista-LSE with the ability to provide notice to un-designate Network Resources and resources designated for service to bundled retail native load (“Designated Resources”) on a temporary basis in accordance with the applicable provisions of the Tariff.

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NOTE: In a Section 205 filing dated July 13, 2007, Avista has submitted to FERC revisions to Section 30.3 of the Tariff, requesting an effective date of July 13, 2007. Such requested revisions provide a notice deadline for temporary un-designations on an hourly basis beyond the close of pre-scheduling activities. Avista is implementing these revisions to Section 30.3 effective July 13, 2007. Network Customers should note that FERC may not accept Avista’s request for an immediate effective date. Accordingly, Network Customers should consult their own legal counsel regarding any concerns.

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This business practice is implemented on an interim basis pending further review and input from Avista-Transmission’s transmission customers and may be revised after the North American Energy Standards Board (“NAESB”) develops, and the Federal Energy Regulatory Commission (“Commission”) approves, procedures pursuant to Order No. 890.

Avista-Transmission will post any un-designation of Network Resources or Designated Resources on its OASIS in the “Documents” section.

Procedure

- (a) Any notice by Network Customers and Avista-LSE to temporarily un-designate Network Resources or Designated Resources must be submitted in writing to Avista-Transmission. The applicable notice forms for *Daily/Hourly Un-designation of Network Resources and Designated Resources* and *Short-Term Un-designation of Network Resources and Designated Resources* are located with this business practice on Avista’s OASIS in the “Documents” section.
- (b) Temporary Un-designations on an Hourly, Daily and Short-Term basis:
 - (i) Hourly un-designations have a term of one hour.
 - (ii) Daily un-designations have a term of from one (1) day up to, but not exceeding, the number of days being pre-scheduled pursuant to the WECC Annual Pre-Scheduling Calendar. Daily un-designations may include shaped or different hourly un-designation amounts for a specified resource.
 - (iii) Short-Term un-designations have a term of from two days up to twelve months.

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(c) The following information must be included in the applicable notice for temporary un-designation of Network Resources and Designated Resources:

- (i) The name of the customer and contact information;
- (ii) The effective date and time of the temporary un-designation;
- (iii) The effective date and time of re-designation, following the period of temporary un-designation;
- (iv) The identification and capacity of resource(s), or portions thereof, in whole megawatts, to be temporarily un-designated;
- (v) Resource description and attestation of the following information for re-designating the resource following temporary un-designation:
 - The customer owns the resource or has committed to purchase power pursuant to an executed contract; and
 - The resource does not include any capacity that is committed for sale to third party load or otherwise cannot be called upon to meet the Network Customer's Network Load or Avista-LSE's bundled retail native load.
- (vi) If applicable, the identification of any related transmission service requests to be evaluated concomitantly with the request for temporary un-designation, such that the requests for un-designation and the request for these related transmission service requests must be approved or denied as a single request.

(d) Timing of Temporary Un-designation Submittals:

- (i) Hourly un-designation notices must be received as early as practicable, but no later than 20 minutes before the first hour for which the un-designation applies.
- (ii) Daily un-designation notices must be received by 11:00 am of the pre-scheduling day for the day(s) for which the un-designation is effective.
- (iii) Short-Term un-designation notices for periods less than one (1) month must be received at least two (2) Working Days prior to the commencement of the un-designation period.
- (iv) Short-Term un-designation notices for periods one (1) month or longer must be received at least one (1) week prior to the commencement of the un-designation period.

(e) Complete and timely notices are automatically accepted. A late but complete un-designation notice will be accepted on a best efforts basis.

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- (f) Avista-Transmission will contact the Network Customer or Avista-LSE if the un-designation request is not complete.
- (g) Network Customers and Avista-LSE must submit their temporary un-designation notice forms by facsimile to:

AVAT Pre-scheduling
Fax: 509-495-8061

This submittal by facsimile, pursuant to the Commission’s Order No. 890, shall be the official time-stamp record for the notice. For administrative purposes to facilitate the timely posting of such notices, Avista-Transmission requests that customers also submit their notice via e-mail attachment to the following three addresses:

cathy.williams@avistacorp.com

~~kenny.dillon@avistacorp.com~~

warren.clark@avistacorp.com

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Customers submitting un-designation notice forms via e-mail attachment are requested to use the following filename designations:

For daily un-designation notices: “Daily Undesignation yy-mmm-dd”
For the final hourly notice for a given day: “Hourly Undesignation yy-mmm-dd”

Release of Transmission Capacity

After receipt of a notice to un-designate a Network Resource or Designated Resource, Avista-Transmission will recalculate ATC, post ATC adjustments and release corresponding transmission capacity, if any, as soon as practicable. The un-designation of a Network Resource or Designated Resource will not necessarily result in additional ATC. The un-designation of resources that: (a) serve load within Avista’s balancing authority area, (b) are interconnected directly to the Avista transmission system and (c) are not integrated via a point of interchange with a neighboring balancing authority area (i.e., are not integrated via a pseudo tie) do not affect ATC on posted interchange paths. Accordingly, just as no firm transmission reservations exist for such resource designations that do not use posted interchange paths, a customer shall not be required to request secondary service from such resources in the event load is served from resource capacity that had been un-designated. The un-designation of resources that are integrated via a point of interchange with a neighboring balancing authority area may affect ATC on respective posted interchange paths.

Resource Re-Designation

Re-designation or reinstatement of a Network Resource or Designated Resource shall automatically occur at the expiration of the specified temporary un-designation.

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No Un-Designation for Sales of Capacity

No un-designation of resources is required in association with the sale of capacity or dynamic control area services where the planned and scheduled energy to be delivered is zero.

Nature of Un-Designation

Un-designations of Network Resources and Designated Resources facilitate sales of power that are not characterized as non-firm, including power sold under WSPP Schedule C upon the acceptance by the Commission of revisions to WSPP Schedule C in Docket No. ER07-624-000.

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Power sold on a unit-contingent basis must be facilitated by the un-designation of a sufficient amount of capacity from the specified resource. In such case, the specified resource must be scheduled for dispatch and electronic tags for delivery of such power shall identify such resource to the extent practicable.

Power sold on a system basis must be facilitated by purchased power or the un-designation of a sufficient amount of system resource capacity. Such power is recognized as being supported by the entire system of resources of the selling party. Accordingly, Avista-Transmission acknowledges and recognizes that electronic tags for delivery of such power may not reflect the specific un-designated capacities of specific resources.

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Section 5.1: Interim Resource Un-Designation Daily Form

On the next page is a printable version of the Daily Un-Designation form.

DAILY NOTICE of Un-designation of Network Resources or Resources Designated for Service to Native Load

Network Customer	
Name	
Phone	
Today's Date	
DATE OF UN-DESIGNATION	

By submitting this form, customer attests that each resource specified for temporary un-designation herein is currently a designated resource and: (a) the customer owns the resource or has committed to purchase power pursuant to an executed contract, and (b) the resource does not include any capacity that is committed for sale to third party load or otherwise cannot be called upon to meet the Network Customer's Network Load or Avista-LSE's bundled retail native load.

Resource	Designated Capacity	Resource Un-designation Amounts (MW)																								
		HE 0100	HE 0200	HE 0300	HE 0400	HE 0500	HE 0600	HE 0700	HE 0800	HE 0900	HE 1000	HE 1100	HE 1200	HE 1300	HE 1400	HE 1500	HE 1600	HE 1700	HE 1800	HE 1900	HE 2000	HE 2100	HE 2200	HE 2300	HE 2400	
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Total	0 MW	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

To use this table insert the date for un-designation where indicated above. Insert additional rows as necessary. Hours are identified along the top row. Specify the resource capacity, in megawatts, to be un-designated for each hour. Cells left blank shall mean an un-designation amount of zero for that hour. The full capacity of each resource shall be re-designated at the conclusion of HE2400.

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Section 5.2: Interim Resource Un-Designation Short-term Form

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On the next page is a printable version for the form.

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**SHORT-TERM NOTICE of Un-designation
of Network Resources or Resources
Designated for Service to Native Load**

*By submitting this form, customer attests that each resource specified for temporary un-designation herein is currently a designated resource and:
(a) the customer owns the resource or has committed to purchase power pursuant to an executed contract, and
(b) the resource does not include any capacity that is committed for sale to third party load or otherwise cannot be called upon to meet the Network Customer's Network Load or Avista-LSE's bundled retail native load.*

Customer Name: _____
 Person Providing Notice: _____
 Phone: _____
 Today's Date: _____

Temporary Resource Un-designation Information

Resource(s) to be Un-designated: _____ Megawatts to be Un-designated: _____

Term of Un-designation

Beginning day and hour: _____
 Ending day and hour: _____

Other Information

Transmission Path/Interface: _____
 (POR on Avista system, if resource is located outside of the Avista balancing authority area)
 or
 Generation Point of Integration: _____
 (If located within the Avista balancing authority area)

Send this form via facsimile to:
Avista Corporation
Attention: Transmission Services
Fax Number: 509-495-8061

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Section 6: Interruption of Non-Firm Point-to-Point Transmission Service

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Pursuant to Sections 13.8, 14.7 and 28.4 of Avista's ~~Tariff~~, Avista-Transmission will interrupt Non-Firm Point-To-Point Transmission Service, in whole or in part, to accommodate requested schedule changes for Firm Point-To-Point Transmission Service, Network Integration Transmission Service and bundled retail transmission service to native load. Such schedule changes may occur after the close of pre-schedule activities up to twenty minutes before the start of the next operating hour. Avista-Transmission is clarifying that requests for transmission service described in Section 14.7(i) and Section 14.7(iv) shall include requests for scheduling changes associated with transmission service that has been reserved, but not scheduled during pre-schedule activities.

Section 13.8 ~~of Avista's Tariff~~ provides for "scheduling changes up to twenty (20) minutes before the start of the next clock hour." In order to assure that all tagging and related schedule adjustments can be completed by 20 minutes prior to the next operating hour, Avista-Transmission will accept such requests that are *initiated* prior to 25 minutes before the start of the next operating hour. Avista will make best efforts to process and accept requests initiated after 25 minutes and prior to 20 minutes before the start of the next operating hour.

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Section 7: Narratives Regarding ATC Changes

Avista will post and update the following table on the OASIS under the Provider Information folder:

Example:

<u>Date:</u>	<u>Path:</u>	<u>New ATC Value:</u>	<u>Monthly or Yearly</u>	<u>Description:</u>

The table will include the date, the path affected, the new ATC value (by month and/or year) and a narrative of the event that changed monthly or yearly TTC by greater than 10%. Such events may include, but are not limited to, seasonal variations, delays in facility additions, changes in loads or planned long-term outages (one month or greater).

Changes in yearly and monthly TTC caused by an outage with duration of less than one month will not be included in this narrative table. Such outages are posted in notices and outage sections of the OASIS.

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Section 8: Redispatch Cost Information

Avista Corporation (Avista) generation resources are predominately hydro and are operated as part of the Pacific Northwest Coordination Agreement (PNCA). The purpose of the PNCA is to assure that all major hydroelectric projects in the region would operate for optimum power system capability by taking advantage of the system’s flexibility. It envisioned operating the dams as though they had a single owner, optimizing their hydroelectric potential. Avista is a party to the agreement. Coordinated river operations enable the region’s power producers to optimize system reliability and power production after giving priority to non-power objectives. These non-power purposes include water requirements for flood control, erosion control, fish and wildlife interests, irrigation, protection of Native American assets, transportation, recreation and other multipurpose uses, which are observed in the annual planning process under the PNCA. It recognizes project and system requirements that are frequently changing to serve multiple river and reservoir uses. Individual project owners set the requirements for using their own reservoirs. Avista’s storage rights in Coeur d’Alene Lake, Long Lake, and Noxon Rapids reservoirs are coordinated under the PNCA. The PNCA does not require any PNCA party to operate in a manner inconsistent with its requirements for non-power uses or functions.

The PNCA is an agreement for planned operations among the utilities and other entities that operate the major electric generating facilities and systems in the Pacific Northwest and British Columbia. The 18 PNCA parties include five investor-owned utilities, five public utility districts, three municipalities, the subsidiary of an aluminum producer, the United States (acting through the Administrator of the Bonneville Power Administration (BPA); the Division Engineer, North Pacific Division, U.S. Army Corps of Engineers; and the Bureau of Reclamation), and the United States Entity for the Columbia River Treaty. The agreement optimizes over 55 million acre feet of storage and 30,600 MW of capacity between 78 hydroelectric projects. Of the 30,600 MW of capacity, 2089 MW is operated by investor owned utilities.

As a result, Avista cannot redispatch its own generation via variable cost decisions. Likewise, Avista does not redispatch other parties’ generation on its transmission system via variable cost decisions. Rather, generation changes occur via curtailment procedures that are implemented as necessary to maintain system reliability or clear congestion. Accordingly, when congestion occurs on the Avista transmission system, Avista curtails service across the congested path using service priority in accordance with the Tariff, until the congestion is cleared.

Avista will work with NAESB in developing this additional OASIS functionality. To the extent that third party resources both within and outside the Avista balancing authority area voluntarily make their resources available for redispatch and provide the pricing information to AVA for its use for congestion relief or for its transmission customers’ use, procedures will be developed to comply with the posting requirements.

Deleted: Real Time Transmission Scheduling Protocol – Native Load Rights¶

¶ Pursuant to Section 14.7 of Avista’s Open Access Transmission Tariff (“Tariff”), rights and scheduling protocols, in addition to those outlined in the Avista Business Practice “Interruption of Non-Firm Point-To-Point Transmission Service,” apply to Network Integration Transmission Service and bundled retail transmission service to native load. Network Customers and the load serving entity function of Avista Utilities (“Avista-LSE”) reserve additional priority rights for scheduling transmission service into real time operations. Network Customers and Avista-LSE reserve the right to adjust schedules for imports to serve Network Load and bundled retail native load between the close of pre-schedule activities (day(s) ahead) up to the applicable scheduling deadline for the next hour of operation. Requests for transmission service by Network Customers and Avista-LSE that exceed existing transmission reservations will be treated as a new request for Secondary Service pursuant to Section 28.4 of the Tariff.¶
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Section 9: Reservation Timing Requirements

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Reserving Multiples of a Service Increment

A Transmission Customer may request multiples of a transmission service increment within a single transmission service request as follows:

- Hourly: 1 to 72 hours*
- Daily: 1 to 6 days**
- Weekly: 1 to 4 weeks
- Monthly: 1 to 11 months
- Yearly: 1 or more years

* Hourly flat requests are limited to 23 hours because if a customer desires to request 24 hours they should request Daily service instead. This ensures the customer is billed at the Daily rate instead of the Hourly rate. 72 hours is permitted for customers desiring to request transmission that will be profiled for on-peak or off-peak hours over a holiday weekend.

** Daily requests are limited to 6 days because if a customer desires to request 7 days they should request Weekly service instead. This ensures the customer is billed at the Weekly rate instead of the Daily rate.

TSRs not meeting these requirements will be set to the INVALID state.

Submitting Hourly Non-Firm Transmission Service Requests

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Hourly Non-Firm Transmission Service Requests (TSRs) must be submitted as pre-confirmed. If a TSR is submitted without being pre-confirmed, the TSR will be DECLINED.

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Prescheduling Practices

AVAT follows the WECC practice of prescheduling Friday and Saturday on Thursday and prescheduling Sunday and Monday on Friday.

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AVAT preschedule is a "5 day shop". The control area preschedule activity occurs during normal business hours (i.e., "8 to 5"), Monday through Friday (except for special WECC preschedule days).

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Firm Table

Service Offering	Earliest Request	Latest Request ¹
Yearly	n/a	60 calendar days before the start of service
Monthly	11 months before the start of service	10 business days before the start of service
Weekly	51 weeks before the start of service	5 business days before the start of service
Daily	364 days before the start of service	1 business days before the start of service

Notes for Firm Table:

¹ Requests will be considered on shorter notice when feasible.

Non-firm Table

Service Offering	Earliest Request	Latest Request ¹
Monthly	60 calendar days before the start of service	10 business days before the start of service
Weekly	14 calendar days before the start of service	5 business days before the start of service
Daily	2 business days before the start of service	1400 PPT the day before the start of service
Hourly (Pre-schedule) ²	2 business days before the start of service	1400 PPT the day before the start of service
Hourly (Real-time) ²	After preschedule checkout	25 minutes before the hour
Hourly (Real-time) ²	After preschedule checkout	25 minutes before the hour

Notes for Non-firm Table:

¹ Requests will be considered on shorter notice when feasible.

² Includes re-directs.

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CONFIRMATION TIMELINE

AVAT will use the following times listed in the table below to allow the Customer to confirm the OASIS request before it is retracted. The table also lists the times that AVAT will respond to the OASIS requests.

Confirmation Table for all OASIS requests

Class	Service Increment	Time QUEUED Prior to Start	Provider Evaluation Time Limit ¹	Customer Confirmation Time Limit after ACCEPTED or COUNTER OFFER ³	Provider Counter Time Limit after REBID ⁴
Non-Firm	Hourly	< 1 hour	Best effort	5 minutes ^{A8}	5 minutes
Non-Firm	Hourly	>1 hour	30 minutes	5 minutes ^{A8}	5 minutes
Non-Firm	Hourly	Day ahead	30 minutes ^{A10}	30 minutes ^{A8}	10 minutes
Non-Firm	Daily	N/A	30 minutes ^{A9}	2 hours	10 minutes
Non-Firm	Weekly	N/A	4 hours	24 hours	4 hours ^{A9}
Non-Firm	Monthly	N/A	2 days ⁵	24 hours	4 hours ^{A9}
Firm	Daily	< 24 hours	Best effort	2 hours	30 minutes
Firm	Daily	N/A	30 days ⁶	24 hours	4 hours ^{A9}
Firm	Weekly	N/A	30 days ⁶	48 hours	4 hours ^{A9}
Firm	Monthly	N/A	30 days ⁶	4 days	4 hours ^{A9}
Firm	Yearly	60 days ⁷	30 days	15 days	4 hours ^{A9}

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Notes for Confirmation Table for all OASIS requests:

¹ Consistent with regulations and filed tariffs, measurement starts at the time the request is QUEUED.

² Confirmation time limits are not to be interpreted to extend scheduling deadlines or to override pre-exemption deadlines.

³ Measurement starts at the time the request is first moved to either ACCEPTED or COUNTEROFFER. The time limit does not reset on subsequent changes of state.

⁴ Measurement starts at the time the Transmission Customer changes the state to REBID. The measurement resets each time the request is changed to REBID.

⁵ Days are defined as calendar days.

⁶ Subject to expedited time requirements of Section 17.1 of the pro forma Tariff, Transmission Providers shall make best efforts to respond within 72 hours, or prior to the scheduling deadline, whichever is earlier, to a request for Daily Firm Service received during period 2-30 days ahead of the service start time.

⁷ Subject to Section 17.1 of the pro forma Tariff, whenever feasible and on a nondiscriminatory basis, transmission providers should accommodate requests made with less than 60 days notice.

^{A8} All hourly products must be pre-confirmed or the request will be DECLINED.

^{A9} If submitted within normal pre-scheduling hours of operations.

^{A10} After the system has initialized ATC for the next scheduling period.

TRANSMISSION SERVICE REQUESTS FOR TIME PERIODS BEYOND REQUIRED POSTED ATC AMOUNTS

AVAT will mark TSR status as “COUNTEROFFERED” for any request for Short-Term Firm Point-to-Point Transmission Service that includes any time period beyond required posted ATC amounts, as specified in CFR §37.6 paragraph (b)(3).

Example: Customer White submits a request on February 1 for 100 MW of firm monthly service for six months over path X to begin November 1 of the same year. The ATC for path X is 100 MW for November thru February. ATC has not been calculated and posted out beyond 13 months. Customer White’s request is COUNTEROFFERED to provide service up through the time frame that ATC has been posted.

⁵
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If submitted within normal pre-scheduling hours of operation ¶
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Section 10: Reserving and Scheduling Transmission Service

10.1 Firm Transmission Service:

New Firm Transmission Service Priorities

- Long-Term Firm, for a period of one year or more, will be available on a first-come, first-served basis.
- Short-Term Firm will be conditional based upon length of request.
- Longer-term requests will preempt shorter-term requests, but original customer has right of first refusal to match longer term.
- Deadlines for preempting requests:
 - Daily service: One working day before service starts.
 - Weekly service: One week before service starts.
 - Monthly service: One month before service starts.

Existing Firm Transmission Service Customer Priorities

Customers with long-term firm contracts have the right to continue taking transmission service when contract expires, rolls over, or is renewed, whether or not they continue buying energy from Avista Corp. subject to Section 2.2 of the Tariff.

Any existing long-term customer that wishes to exercise its reservation priority must make an application for its new service term following the usual pro forma tariff procedures and notify the transmission provider, no less than sixty days (60 days) prior to the date an existing long-term contract ends and the new service term commences, that the long-term transmission customer wishes to exercise its reservation priority (right of first refusal) under Section 2.2 of the pro forma tariff.

If Avista Corp. transmission system cannot accommodate all requests at end of contract term, then existing customer must accept contract term equal to competing requests and to pay current rates.

Scheduling of Firm Transmission Service

- Customer should submit schedules no later than 10:00 am of the Working Day prior to beginning of service. After 10:00 am, schedules will be accommodated, if practicable. (13.8)
- Changes to schedule will be permitted up to 20 minutes before the start of the hour if Delivering Party and Receiving Party also agree.

Written Application

FERC expects all transmission requests to occur on the OASIS, and the OASIS provides the official time-stamp.

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- Written Application containing information in (17.2) filed on OASIS at least 60 days in advance. Less than 60 days notice considered, if feasible. ¶
- Deposit of one month's charge may be required. (17.3) ¶

• Avista Corp. shall notify Customer within 15 days if Application is deficient. Priority assigned with receipt of complete Application. (17.4) ¶

• Avista Corp. shall notify Customer no later than 30 days after request received if service can be provided or if System Impact Study (see below) must be performed. (17.5) ¶

• If service can be provided, Avista Corp. shall notify Customer no later than 30 days after request received that they need to complete a Service Agreement (Attachment A). If partial service can be provided or redispach of facilities will provide service, this must be offered. (19.7) ¶

• Customer must complete Service Agreement within 15 days or request filing of an unexecuted Service Agreement (15.3) or Avista Corp. will consider Application withdrawn and terminated. Deposit will be returned. Customer may file another Application. (17.6) ¶

• If Customer wants to postpone receiving service they can do so for up to five one-year extensions by paying a non-refundable charge equal to one-month's charge for each year or portion thereof. ¶

• If another Customer requests service that can only be granted by original Customer releasing its reservation, the original Customer must either pay for the amount reserved or release its reservation and forfeit all fees paid. (17.7) ¶

¶ Arranging Short-term Firm Transmission ¶

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A written application is required for Network Integration Transmission Service requests (since the OASIS doesn't allow entry of all necessary information, e.g., Network Resources and Network Load). All new Eligible Network Customers requesting service under Part III of Avista Transmission Tariff must submit an Application, with a deposit approximating the charge for one month of service to Avista as far as possible in advance of the month in which service is to commence. The completed Application shall provide all of the information included in Section 29.2 of Avista's Tariff (including the required Customer Attestations).

Even though the necessary information associated with a Long-Term Point-To-Point Transmission Service request can be entered into an OASIS request, a written application is still required for requests for Long-Term Point-To-Point Transmission Service.

Deposits

All Long-Term Firm Point-To-Point or new Network Transmission Requests including those to/from the same Point of Receipt and/or Point of Delivery, require a deposit approximating one month's transmission service charge to be received by Avista within ten (10) business days of the date the request is made on the OASIS.

If a deposit is not provided by the Transmission Customer, as described above, the OASIS transmission reservation request will be REFUSED. Deposits may be either wire transferred or mailed to Avista. Deposits will be refunded as described in Avista's Tariff.

10.2 Non-Firm Transmission Service

Non-Firm Priorities (Section 14.2 of Avista's Tariff)

- Non-Firm service shall be available from excess capability not needed by Native Load Customers, Network Customers, and Long-Term and Short-Term Firm Customers.
- A higher priority will be assigned those reservations for longer term of service.
- If system is constrained, reservations will be prioritized based on Table 4-3 (Priorities for Competing Reservation Requests) of the NASEB Standards.
- Customers having reservations for shorter term service will have right of first refusal before being preempted by longer term service.
- Per NAESB Standard Section 10.1.4, secondary transmission service will have a service priority that is lower than non-firm point-to-point service. If non-firm reservations are scheduled after redirected secondary non-firm, the secondary non-firm will be curtailed as needed to accommodate the non-firm schedule.

Arranging Non-Firm Service

- Customers that have executed a Short Term Firm/Non-firm Point-To-Point Service Agreement requesting transmission service on Avista's OASIS need to refer to the "Reservation Timing Requirements" Business Practice for Reservation Timing Requirements.

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- If service must be curtailed for reliability reasons, Non-Firm service will be curtailed first. (13.6) ¶
- Further curtailments will be proportionally allocated among Native Load Customers, Network Customers, and Customers taking Firm service. ¶

Modifications in Service Specifications ¶

- Customer taking Firm Service may request Avista Corp. to provide service on a Non-Firm basis at other Points of Delivery and Receipt. (22.1) ¶
- Service will not displace any Firm or Non-Firm service already reserved or scheduled. ¶
- Sum of all Firm and Non-Firm service shall not exceed Reserved Capacity of relevant Service Agreement. ¶
- Customer shall retain rights to original Firm service as specified in relevant Service Agreement. ¶
- No new service charge or Service Agreement shall be required. ¶
- Customer taking Firm Service may request Avista Corp. to provide service on a Firm basis at other Points of (... [2]

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- Avista Corp. shall offer a Serv (... [3]

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Scheduling of Non-Firm Transmission Service

- For Pre-schedule, customer should submit schedules no later than 2:00 pm of the Working Day prior to beginning of service. After 2:00 pm, schedules will be accommodated, if practicable. (14.6)
- During Real Time scheduling hours, changes to schedule will be permitted up to 20 minutes before the start of the hour, if Delivering Party and Receiving Party also agree.
- Schedules received after the above scheduling deadlines will be accommodated, if practical. Avista Transmission reserves the right to deny schedules received after these deadline times, particularly if instituting the schedule would require preempting any other confirmed reservations with schedules already established.

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10.3 General Issues

EXPIRED Tag Status

For purposes of certain interpretations of INT-006-2, any tag with an "EXPIRED" status has: (i) failed validation, and (ii) not been otherwise "CONFIRMED" by the Transmission Service Provider within the specified assessment period. Accordingly, any "EXPIRED" tag is, by definition, equal to and in all respects the same as a "DENIED" tag.

Deleted: Note, this means that if there has been no pre-schedule associated with a reservation (A), and Avista confirms a non-firm schedule to another party after pre-schedule, the holder of reservation (A) may not preempt the established schedule.
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Section 11: Transmission Capacity Reassignment, Resale, Transfer, or Part Transfer

As allowed by Section 23.1 of Avista’s Tariff, an Eligible Customer may assign to another Eligible Customer all or a portion of its rights under a Service Agreement. Such reassignment will be handled in the following manner:

- An Assignee Service Agreement must be in place with Avista prior to the Assignee taking service.
- Avista will charge the Reseller the rate as included in the Reseller’s Service Agreement (“original rate”).
- Avista will credit the Reseller the rate as included on the OASIS schedule or in the Assignee’s Service Agreement (“reassignment rate”).
- Credit to the Reseller will be reversed in the event of non-payment by the Assignee.
- Losses on the OASIS schedule will be assessed to the Assignee.

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Section 12: Transmission Reliability Margin

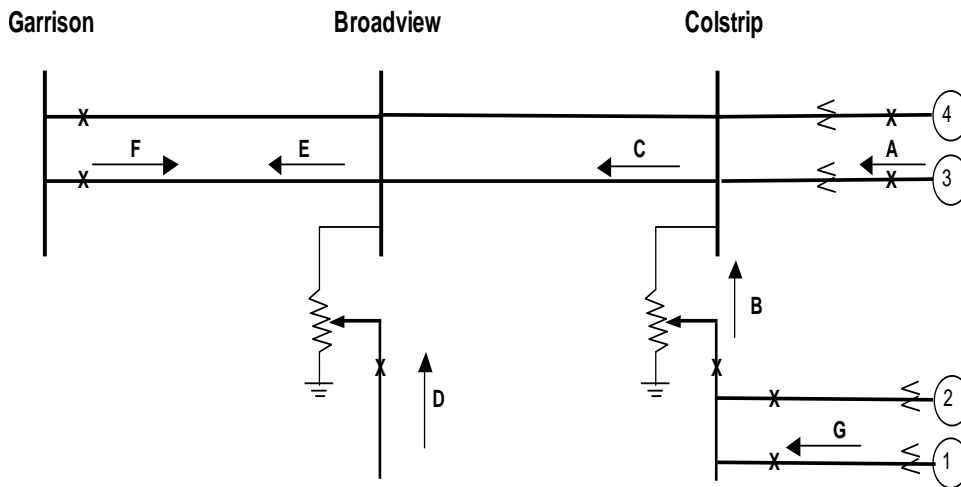
Transmission Reliability Margin (TRM): The amount of transmission transfer capability necessary to ensure that the interconnected transmission network is secure under a reasonable range of uncertainties in system conditions.

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Transmission Losses and Dynamic Tagging

Colstrip generation is dynamically tagged into Avista’s balancing authority area. The Colstrip transmission facilities are measured in real time (at points A, B, C, D, E and G identified below). Transmission losses are calculated for each segment and allocated to the Colstrip transmission owners, varying hour to hour.



While Avista’s maximum historical Colstrip loss obligation for all segments is 24 MW, Avista’s estimated maximum daily peak losses allocation for a given segment is approximately 10MW. Due to the variability and uncertainty in determining losses across each segment, Avista has chosen to assign TRM across the following three path segments:

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PATH/SEGMENT	TRM (MW)
COLSTRIP>BROADVIEW	10
BROADVIEW>TOWNSEND	10
TOWNSEND>GARRISON	10

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Section 13: Transmission Services Available

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	Short-Term PTP	Long-Term PTP	Network
OASIS request	yes	yes	yes
Written request	no	yes	yes
Deposit	waived	yes	yes
Service Agreement	blanket	custom	custom

Short-term PTP

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As with all types of transmission service, an OASIS request is required for short-term requests. A written request is not required and the deposit is waived if the customer meets AVAT credit requirements (see Credit Trans. Policy).

Long-term Firm PTP

For service one year in duration or more, both an OASIS request and written application must be submitted. Information contained in the written request must coordinate with OASIS request and satisfy the requirements of section 17.2 of the tariff. A deposit equal to one month's charge and the written request must be received by AVAT to qualify as a valid request. A Long-Term Firm Point-To-Point service agreement will be created for each request.

Network

For network service, both an OASIS request (for time stamp) and written application must be submitted. Information contained in the written request must coordinate with OASIS request and satisfy the requirements of section 29.2 of the tariff. A deposit equal to one month's charge and the written request must be received by AVAT to qualify as a valid request. A network service agreement will be created for each request.

Contingency Reserves and Reserve Sharing

Avista does not establish and hold out any TRM for contingency reserves or reserve sharing arrangements. Avista is a member of the Northwest Power Pool ("NWPP") and the NWPP Reserve Sharing Program ("NWPP Program"). The NWPP Program as been filed with and accepted by the Federal Energy Regulatory Commission in Docket No. ER06-236-000. The real-time implementation by the NWPP of the Program monitors a series of regional zones or "bubbles" and assures that no operational reliability limits for transmission facilities are exceeded for the delivery and receipt of any required contingency reserves. Accordingly, transmission reservations are not required and there are no impacts to ATC offerings under the Program. Electronic tags (e-Tags) are recorded on an after-the-fact basis for net scheduled interchange checkout.

Transmission Customers having any questions regarding the implementation of TRM on the Avista Transmission System should contact Jeff Schlect, Manager, Transmission

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Services at (509) 495-4851 or Warren Clark, Senior Transmission Services Engineer at (509) 495-4186.

Section 14: Transmission Studies

General Information

Avista will comply with all study associated requirements included in the Tariff.

Study Deposits for Transmission Studies

- Avista Transmission has an internal practice for required study deposits for requests from its LSE.
- Deposits will not be taken from the LSE, but actual charges will be accounted for under an LSE accounting string.

Study Deposits for Interconnection Studies (under LGIP)

- Avista Transmission has an internal practice for required study deposits for requests from its LSE.
- Deposits will not be taken from the LSE, but actual charges will be accounted for under an LSE accounting string.
- An accounting transfer between the LSE and Avista Transmission will be made for any requests that do not meet the required Site Control obligations.

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Studies List¶
 ¶
 <#>Avista will post on OASIS a list of planning studies performed by the Transmission Planning and Engineering Department. Sensitivities and scenario analyses will not be listed separately.¶
 ¶
 <#>This list will include studies completed on or after July 13, 2007.¶
 ¶
 <#>Within 10 business days of the completion of a study, the list will be revised and posted on OASIS.¶
 ¶
Study Results¶
 ¶
 <#>Study results (the written description of the study and its results) will typically be made available upon request.¶
 ¶
 <#>Certain studies, as indicated on the studies list posted on OASIS, will only be available upon completion of the procedures outlined in the Avista CEII Business Practice.¶

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Section 15: Version History

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Version	Version Date	Action	Reviewed by
1.1	July 13, 2007	<ul style="list-style-type: none"> ▪ Posting of Business Practices ▪ Revised Capacity Benefit Margin ▪ Added section on Transmission Reserve Margin ▪ Added section on Transmission Studies Business Practices ▪ Added section on Transmission Studies Performance Metrics ▪ Added section on Redispatch Cost 	Warren Clark
1.2	October 15, 2007	<ul style="list-style-type: none"> ▪ <u>Added Narrative Regarding ATC Change Business Practice</u> 	Kenny Dillon
1.3	January 2, 2008	<ul style="list-style-type: none"> ▪ <u>Reviewed CBM and TRM Policy</u> 	Kenny Dillon/ Warren Clark
1.4	January 7, 2009	<ul style="list-style-type: none"> ▪ <u>Added section numbers</u> ▪ <u>General clean-up and incorporation of defined terms</u> ▪ <u>Minor changes to CBM in Section 2</u> ▪ <u>Added new Section 7 narrative on ATC changes</u> ▪ <u>Deleted previous Section 8 on Scheduling Protocols</u> ▪ <u>Revised new Section 9</u> ▪ <u>Revised new Section 10 covering acquisition and use of transmission</u> ▪ <u>Added new Section 11 on Transmission Reassignment</u> ▪ <u>Revised new Section 14 on Transmission Studies</u> 	Kenny Dillon/ Warren Clark/ Cathy Williams

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Arranging Long-term Firm Transmission Service (17.1)

- Written Application containing information in (17.2) filed on OASIS at least 60 days in advance. Less than 60 days notice considered, if feasible.
- Deposit of one month's charge may be required. (17.3)
- Avista Corp. shall notify Customer within 15 days if Application is deficient. Priority assigned with receipt of complete Application. (17.4)
- Avista Corp. shall notify Customer no later than 30 days after request received if service can be provided or if System Impact Study (see below) must be performed. (17.5)
- If service can be provided, Avista Corp. shall notify Customer no later than 30 days after request received that they need to complete a Service Agreement (Attachment A). If partial service can be provided or redispach of facilities will provide service, this must be offered. (19.7)
- Customer must complete Service Agreement within 15 days or request filing of an unexecuted Service Agreement (15.3) or Avista Corp. will consider Application withdrawn and terminated. Deposit will be returned. Customer may file another Application. (17.6)
- If Customer wants to postpone receiving service they can do so for up to five one-year extensions by paying a non-refundable charge equal to one-month's charge for each year or portion thereof.
- If another Customer requests service that can only be granted by original Customer releasing its reservation, the original Customer must either pay for the amount reserved or release its reservation and forfeit all fees paid. (17.7)

Arranging Short-term Firm Transmission

- Written Application containing information in (17.2) filed on OASIS at least 60 days in advance. Less than 60 days' notice considered, if feasible. Requests for short-term firm shall be expedited.
- Deposit of one month's charge, or full amount if for less than one month, may be required. (17.3)
- Avista Corp. shall notify Customer within 15 days if Application is deficient. Priority assigned with receipt of complete Application. (17.4)
- Avista Corp. shall notify Customer no later than 30 days after request received if service can be provided or if System Impact Study (see below) must be performed (17.5). If partial service can be provided or redispach of facilities will provide service, this must be offered. (19.7)
- If service can be provided, Avista Corp. shall notify Customer no later than 30 days after request received that they need to complete a Service Agreement (Attachment A).
- Customer must complete Service Agreement within 15 days or request filing of an unexecuted Service Agreement (15.3) or Avista Corp. will consider Application withdrawn and terminated. Deposit will be returned. Customer may file another Application. (17.6)
- Customers that have executed a Short Term Firm/Non-firm Point-To-Point Service Agreement requesting transmission service on Avista's OASIS need to refer to the "Reservation Timing Requirements" Business Practice for Reservation Timing Requirements.

Curtailement of Firm Transmission Service

- If service must be curtailed for reliability reasons, Non-Firm service will be curtailed first. (13.6)
- Further curtailments will be proportionally allocated among Native Load Customers, Network Customers, and Customers taking Firm service.

Modifications in Service Specifications

- Customer taking Firm Service may request Avista Corp. to provide service on a Non-Firm basis at other Points of Delivery and Receipt. (22.1)
- Service will not displace any Firm or Non-Firm service already reserved or scheduled.
- Sum of all Firm and Non-Firm service shall not exceed Reserved Capacity of relevant Service Agreement.
- Customer shall retain rights to original Firm service as specified in relevant Service Agreement.
- No new service charge or Service Agreement shall be required.
- Customer taking Firm Service may request Avista Corp. to provide service on a Firm basis at other Points of Delivery and Receipt. (22.2)
- Such request will be treated as a new request for service except that Customer will not pay any additional deposit if request does not exceed Reserved Capacity in existing Service Agreement.
- While request is pending, Customer will retain all rights of original Service Agreement.
- Customer may sell, assign, or transfer all or a portion of its rights under its Service Agreement to another eligible Customer. (23.1)
- Compensation shall not be the higher of the original rate paid, Avista Corp.'s maximum rate on file, or Reseller's opportunity cost.
- Reseller shall notify Avista Corp. as soon as possible of assignment or transfer but prior to any delivery of service.
- If Assignee does not request any changes in terms or conditions, it will receive same service as original Customer.
- If Assignee requests any change in service, the request will be treated in accord with priorities for new service.
- If requested change will not impair operation and reliability of Avista Corp. system, it will be granted. (23.2)
- If a System Impact Study is needed, or any other additional costs result, these will be paid by Assignee.
- Reseller remains liable for any obligations under the Service Agreement except as specifically amended to Service Agreement.
- Reseller may use Avista Corp.'s OASIS to post transmission capacity available for resale. (23.3)

System Impact Study

- If Avista Corp. determines that a System Impact Study is necessary, it will notify Customer as soon as possible. (19.1)

- Avista Corp. will tender a System Impact Study Agreement to Customer within 30 days of receipt of completed Application.
- Customer shall execute and return Study Agreement to Avista Corp. within 15 days.
- If Customer does not return Study Agreement, then Application will be considered as withdrawn and terminated.
- Avista Corp. will use due diligence to complete Study within 60 days. (19.3)
- Avista Corp. will notify Customer upon completion of Study if Transmission System will be adequate to accommodate all or part of the request or if no costs are likely to be incurred for new facilities or upgrades.
- Customer must complete a Service Agreement or request filing of an unexecuted Service Agreement (15.3) within 15 days, or Avista Corp. will consider Application withdrawn and terminated.
- If System Impact Study indicates that additions or upgrades are needed to grant the Customer's request, a Facilities Study Agreement (see below) shall be tendered the Customer. (19.4)
- If System Impact Study indicates that additions or upgrades are needed to grant the Customer's request, Customer may expedite the process by requesting an "Expedited Service Agreement." (19.8)
- Customer must request within 30 days after receiving results of System Impact Study an Expedited Service Agreement agreeing to pay all costs incurred by Avista Corp. for new or upgraded facilities.
- Customer must execute and return Expedited Service Agreement within 15 days or Avista Corp. will consider Application withdrawn and terminated.

Facilities Study

- If a System Impact Study indicates that additions or upgrades are needed to grant the Customer's request, a Facilities Study Agreement shall be tendered the Customer within 30 days of completion of System Impact Study. (19.4)
- Customer shall execute and return Study Agreement to Avista Corp. within 15 days.
- If Customer does not return Study Agreement, then Application will be considered as withdrawn and terminated.
- Avista Corp. will use due diligence to complete Study within 60 days.
- Avista Corp. will notify Customer upon completion of Study with a good faith estimate of cost of Direct Assignment Facilities to be charged to Customer, Customer's appropriate share of cost of any Network upgrades, and time required to complete construction and begin service.
- If partial service can be provided or redispach of facilities will provide service, this must be offered. (19.7)
- Customer must execute a Service Agreement or request the filing of an unexecuted Service Agreement along with letter of credit or other security equivalent to costs of new facilities or upgrades within 30 days or Avista Corp. will consider Application withdrawn and terminated.
- If Avista Corp. cannot finish construction on time or at all, they will promptly notify Customer and within 30 days convene a technical meeting with Customer to evaluate the alternatives. (20.1)
- If construction of alternatives can be arranged, Customer may request a revised Service Agreement. If alternative only provides Non-Firm service, Avista Corp. shall promptly tender Service Agreement for Non-Firm service. (20.2)

- If Avista Corp. concludes there are no reasonable alternatives, but Customer disagrees, then dispute resolution process may be used or the Commission appealed to.
- If Avista Corp. and Customer mutually agree that alternatives do not exist and service cannot be supplied from existing facilities, then obligation to provide service is terminated and deposits are refunded less any prudently incurred costs. (20.3)

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- Application containing information in (18.2) filed on OASIS.
- Avista Corp. shall offer a Service Agreement for Non-Firm Transmission Service (Attachment B) to Customer. (14.4)

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Studies List

Avista will post on OASIS a list of planning studies performed by the Transmission Planning and Engineering Department. Sensitivities and scenario analyses will not be listed separately.

This list will include studies completed on or after July 13, 2007.

Within 10 business days of the completion of a study, the list will be revised and posted on OASIS.

Study Results

Study results (the written description of the study and its results) will typically be made available upon request.

Certain studies, as indicated on the studies list posted on OASIS, will only be available upon completion of the procedures outlined in the Avista CEII Business Practice.

Persons interested in receiving a copy of a study result should contact the Transmission Services Department at 509-495-4186.

The charge for receiving study results will be limited to the cost of reproducing the material.

Base Cases

The provision of base cases is governed by confidentiality requirements established by the Western Electricity Coordinating Council (WECC).

Persons interested in receiving a base case should first contact WECC.

After receiving permission from WECC to receive the base case, the Transmission Services Department should be contacted at 509-495-4186.

Base cases will be provided in Power World or PTI/PSSE format (consistent with the version utilized at the time of the study).

The charge for receiving a base case will be limited to the cost of reproducing the material.

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Transmission Studies – Posting & Retention of Performance Metrics

General Information

FERC Order 890 instituted new requirements regarding the posting on OASIS and the retention of certain study performance metrics. In Order 890 FERC adopted 18 C.F.R. § 37.6(h) which describes of how a transmission provider will post and retain study performance metrics.

Posting of Performance Metrics

No later than 15 calendar days after the start of each calendar quarter commencing with the Third Quarter of 2007, Avista will post on its OASIS a table of performance metrics for processing system impact studies and facilities studies.

The performance metrics will include studies initiated or completed on or after July 13, 2007.

The performance metrics will remain available on OASIS for 3 calendar years.