

THE LAW OFFICE OF  
**PAINÉ HAMBLEN LLP**

717 WEST SPRAGUE AVENUE  
SUITE 1200  
SPOKANE, WASHINGTON 99201-3505  
(509) 455-6000  
FAX: (509) 838-0007  
www.painehamblen.com

Gary A. Dahlke  
*Of Counsel*  
509-455-6012  
gary.dahlke@painehamblen.com

April 16, 2007

Hon. Philis J. Posey, Acting Secretary  
Office of the Secretary  
Federal Energy Regulatory Commission  
Room 1-A, East  
888 first St., N.E.  
Washington, DC 20426

RE: *Avista Corporation*  
*Docket No. OA07-\_\_\_\_-000*  
*Optional Implementation Section 205 Filing Pursuant to Paragraph 139 of*  
*Order No. 890*

Dear Acting Secretary Posey:

Pursuant to 18 C.F.R. Part 35, Section 205 of the Federal Power Act, 16 U.S.C. § 824d, and Order No. 890, *Preventing Undue Discrimination and Preference in Transmission Service*, 72 Fed. Reg. ¶ 12,266 (Mar. 15, 2007) ("Order No. 890"), Avista Corporation ("Avista") hereby submits for filing with the Federal Energy Regulatory Commission ("Commission") Avista's optional implementation Section 205 filing pursuant to paragraph 139 of Order No. 890.

**I. CONTENTS OF FILING**

Avista respectfully tenders for filing an electronic copy of the following documents:

1. Transmittal letter;
2. Redlined pages to demonstrate the non-rate deviations to Order No. 888 *pro forma* Open Access Transmission Tariff ("OATT") previously requested by Avista and accepted by the Commission that (i) may have been substantively affected by the reforms adopted in Order No. 890, (ii) continue to be consistent with or superior to the revised *pro forma* OATT adopted in Order No. 890, and (iii) Avista seeks to preserve for inclusion in its OATT; and

3. Clean version of the pages in the form Avista intends to file as a compliance filing on July 13, 2007.

## II. COMMUNICATION

Avista respectfully requests that the following persons be included on the official service list in these proceeding and that all communications concerning this filing be addressed to them:

Jeff Schlect  
Manager, Transmission Services  
Avista Corporation  
P.O. Box 3727  
Spokane, WA 99220  
Telephone: 509-495-4851  
Email: jeff.schlect@avistacorp.com

Gary A. Dahlke  
Paine Hamblen LLP  
717 West Sprague, Suite 1200  
Spokane, WA 99201  
Telephone: 509-455-6000  
Email: gary.dahlke@painehamblen.com

## III. DESCRIPTION OF FILING

This filing is submitted on behalf of Avista Corporation (“Avista”) in response to Order 890 and the Notice of Electronic Filing Guidelines for Open Access Transmission Tariffs issued on April 6, 2007 (“Notice”). Avista submits this filing under Section 205 of the Federal Power Act for the purpose of identifying those non-rate terms and conditions contained in its existing Open Access Transmission Tariff, Volume No. 8 (“Tariff”) that: (i) were previously accepted by the Commission, (ii) potentially involve areas of the Order 890 tariff where the Commission made changes to the prior pro forma tariff such that previously approved non-standard provisions could be affected, and (iii) which Avista wishes to preserve for inclusion in its compliance filing for Order 890, currently due July 13, 2007.

Avista submits that each of the provisions submitted herein are either: (i) not substantively affected by Order 890, or (ii) are terms of a previously approved rate schedule which, per Avista’s understanding, would not be determined to be a non-rate term or condition intended to be the subject of this filing. Nonetheless, the provisions filed herein are substantive elements of Avista’s Tariff and, as a cautionary measure, Avista submits this filing to confirm the Commission’s continued acceptance of these provisions that heretofore have been accepted as consistent with and/or superior to the *pro forma* tariff.

For administrative simplicity, in order to maintain the pagination of the compliance filing due July 13, 2007, in a workable form, it is Avista's intent to file a Fourth Revised Volume No. 8 with new pagination, instead of just filing replacement pages for the current Third Revised Volume No. 8. In Order 890 at Footnote 18 it states that the Transmission Provider has the option to refile the entire OATT to simplify pagination. The tariff sheets included here are in the form and with the pagination that Avista intends to submit in its Order 890 compliance filing, however, it is possible that pagination could change.

**A. NON-RATE TERMS AND CONDITIONS**

The provisions listed below are previously approved non-rate terms and conditions that Avista submits are not substantively affected by Order 890. Nonetheless, due to their substantive nature and as a cautionary measure, Avista respectfully requests that the Commission confirm that these provisions are not substantively affected by Order 890 and/or confirm that these provisions continue to be consistent with and/or superior to the *pro forma* tariff. These provisions are highlighted in yellow in the attached tariff sheets and are generally described as follows:

**1. Section 4 – Wholesale Electric Quadrant (WEQ) Business Practices**

This was filed by Avista on December 11, 2006 in Docket No. ER07-316-000 and accepted by the Commission on February 5, 2007, with an effective date of July 1, 2006. This provision was found by the Commission to be in satisfactory compliance with the Commission's Order No. 676.

**2. Attachment A – Form of Service Agreement for Long-Term Firm Point-To-Point Transmission Service**

This was filed by Avista on August 5, 1997 in Docket No. ER97-4082-000 and accepted by the Commission on February 5, 1998 with an effective date of September 1, 1997. It is noted that the Commission did not change its standard form of agreement included as Attachment A to the *pro forma* tariff in Order 890. Avista's standard form of agreement contains additional terms, conditions and information necessary for the effective provision of Long-Term Firm Point-To-Point Transmission Service. Avista's Attachment A, in conjunction with Avista's revised Attachment B (listed below), was accepted by the Commission as consistent with the *pro forma* tariff.

**3. Attachment B – Form of Service Agreement for Short-Term Firm Point-To-Point Transmission Service and Non-Firm Point-To-Point Transmission Service**

This was filed by Avista on December 10, 1997 in Docket No. ER98-1022-000 and accepted by the Commission on February 5, 1998 with an effective date of January 1, 1998. It is noted that the Commission did not change its standard form of agreement included as Attachment B to the *pro forma* tariff in Order 890. Avista's standard form of agreement is a transaction enabling umbrella agreement for *both* non-firm and short-term firm point-to-point transmission service and was accepted by the Commission as superior to the *pro forma* Attachment B.

## **B. RATE SCHEDULE PROVISIONS**

In addition to the non-rate terms and conditions referenced above, the attached tariff sheets identify a number of rate schedule provisions that have also been previously approved by the Commission. It is Avista's understanding that rate provisions are not affected by the two tiered compliance method outlined in Order No. 890 and the Notice. However, it is not always clear whether the entire provision associated with a rate schedule is intended to be treated as a "rate," and carried over to the new Order No. 890 compliance tariff, or whether the Commission intended the thirty (30) day optional approach to apply to these rate schedule provisions as well. While it is Avista's understanding that rate schedule provisions are intended to be carried over and that the entirety of the rate schedule is to be given the same treatment as "numerical" rate amounts, nonetheless Avista, as a cautionary measure, respectfully requests that the Commission confirm that these provisions are not substantively affected by Order No. 890 and/or confirm that these provisions continue to be consistent with and/or superior to the *pro forma* tariff. However, if Avista's understanding is misplaced and the Commission considers the non-numerical provisions associated with a rate schedule to be "non-rate" terms and conditions subject to Order No. 890 and requiring use of the optional thirty (30) day Section 205 filing in order to be preserved, then Avista respectfully requests that these rate schedule provisions be accepted by the Commission as continuing to be consistent with and/or superior to the *pro forma* tariff. The rate schedule provisions of Avista's existing Tariff that are identified for this purpose are highlighted in green on the attached tariff sheets and are generally described as follows:

### **1. Schedule 3 – Regulation and Frequency Response Service**

This was originally filed on July 8, 1996 in Docket No. OA96-162-000 and accepted by the Commission on November 13, 1996. An additional revision to Schedule 3 was filed on September 8, 2006 in Docket No. ER06-1475-000 and accepted by the Commission on November 6, 2006 with an effective date of November 9, 2006. It is noted that the Commission did not substantively change the *pro forma* text of Schedule 3 in Order No. 890. As noted in its filings and previously accepted by the Commission, Avista's Schedule 3 language provides flexibility and cost mitigation to the benefit of Transmission Customers and therefore is both consistent with and superior to the *pro forma* tariff.

### **2. Schedule 4 – Energy Imbalance Service**

Revisions to Schedule 4 were filed on September 8, 2006 in Docket No. ER06-1475-000 and accepted by the Commission on November 6, 2006. These revisions were necessary in order to make the provisions that Avista negotiated with the Bonneville Power Administration ("Bonneville") available to all prospective Network Customers. In association with the conversion of long-standing historical service to Bonneville under a General Transfer Agreement (Avista Rate Schedule FERC No. 105) to a series of twelve Network Integration Transmission Service Agreements under the Tariff (see Docket Nos. ER06-436-000, ER06-436-001 and ER06-436-002), Avista and Bonneville negotiated

billing determinant and rate provisions for Schedule 4 to establish a flexible and workable approach for Energy Imbalance Service as it interrelates to the necessary scheduling protocols for Network Integration Transmission Service, as such scheduling protocols are set forth in the Network Operating Agreements between Avista and Bonneville. Avista noted in its filing in ER06-1475-000 that its three-tiered approach in Schedule 4 is similar to that offered by Bonneville to its customers and similar to that being contemplated by the Commission in its Notice of Proposed Rulemaking in Docket Nos. RM05-25-000 and RM05-17-000. As noted in its previous filing and accepted by the Commission, Avista's previously accepted Schedule 4 provisions provide flexibility, clarity and consistency with the new Order No. 890 *pro forma* Schedule 4 as follows:

- Flexibility is given to the Transmission Customer to elect to physically deliver or financially settle any deviation amounts in Band 1.
- The use of a defined Hourly Pricing Proxy provides simplicity and clarity for the settlement of deviation amounts and is consistent with, and perhaps superior to, the new Order 890 *pro forma* use of "decremental cost." Avista's Hourly Pricing Proxy is defined as the Dow Jones Mid-Columbia Daily Firm Index, On-Peak and Off-Peak, with provision made for a forced spill condition, consistent with that used by Bonneville. This index is reliable, verifiable and indicative of the prevailing price in liquid markets in the Pacific Northwest. The use of this Hourly Pricing Proxy significantly reduces contract administration costs for both the Transmission Provider and Transmission Customer.
- Consistency with the new Order 890 *pro forma* Schedule 4 is attained in that the deviation amounts in Band 1, Band 2 and Band 3 are settled at 100%, 90%/110% and 75%/125%, respectively, of Avista's defined Hourly Pricing Proxy. A 100 mills per kilowatt minimum charge is retained only for negative deviations in Band 3 which provides the necessary disincentive to keep a Transmission Customer from leaning on the Transmission Provider's system during peak hours where real-time prices may exceed the on-peak-hour index prices defined in the Hourly Pricing Proxy.

As documented in the filings made in Docket Nos. ER06-1476-000, ER06-436-000, ER06-436-001 and ER06-436-002, the Schedule 4 provisions previously accepted by the Commission are an integral part of an extended negotiation between Avista and Bonneville (Avista's first and only Network Customer) in association with converting from long-standing historical service under the General Transfer Agreement to Network Integration Transmission Service under the Tariff. Such extended negotiations also included a revision to Schedule 3 and the complete redevelopment and revision of Avista's Network Integration Transmission Service Agreement and Network Operating Agreement. The Commission's preservation of Avista's Schedule 4 provisions is necessary to assure that all prospective Network Customers are offered the same rate

schedule provisions as currently offered to Bonneville pursuant to the series of twelve Network Integration Transmission Service Contracts.

**3. Schedule 5 – Operating Reserves-Spinning Reserve Service**

This was filed on July 8, 1996 in Docket No. OA96-162-000 and accepted by the Commission on November 13, 1996. It is noted that the Commission did not substantively change the *pro forma* text of Schedule 5 in Order No. 890. As previously accepted by the Commission, Avista's Schedule 5 language provides further clarification as to the nature of Spinning Reserve Service in the Western Interconnection and the billing determinants therefor.

**4. Schedule 6 – Operating Reserves-Supplemental Reserve Service**

This was filed on July 8, 1996 in Docket No. OA96-162-000 and accepted by the Commission on November 13, 1996. It is noted that the Commission did not substantively change the *pro forma* text of Schedule 6 in Order No. 890. As previously accepted by the Commission, Avista's Schedule 6 language provides further clarification as to the nature of Supplemental Reserve Service in the Western Interconnection and the billing determinants therefor.

**IV. MISCELLANEOUS**

**A. PERSONS SERVED**

Avista has posted an electronic copy of this filing on Avista 's Open Access Same-Time Information System (OASIS).

**B. PROPOSED EFFECTIVE DATE AND REQUESTED WAIVER OF NOTICE REQUIREMENTS**

Consistent with paragraph 139 of Order No. 890 and the Order granting an extension of time, Avista respectfully requests an effective date of July 13, 2007, the date on which Avista will submit its Section 206 compliance filing. Notwithstanding the requested effective date of July 13, 2007, Avista states in accordance with paragraph 139 of Order No. 890 "that the Commission has 90 days following the date of submission of this filing to act under Section 205."

**C. COMPLIANCE WITH SECTION 35.13(a)(iii)**

No third-party agreement is required to effect this optional implementation Section 205 filing pursuant to paragraph 139 of Order No. 890. No rates of general applicability are being changed in this filing. No expenses or costs in this tariff have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative or unnecessary costs that are

Hon. Philis J. Posey, Acting Secretary

April 16, 2007

Page 7

demonstrably the product of discriminatory employment practices. To the extent not otherwise included in this filing, Avista requests waiver of any other applicable filing requirements of Part 35 of the Commission's regulations.

**V. CONCLUSION**

For the reasons set forth above, Avista respectfully requests that the Commission accept the provisions discussed herein and highlighted on the attached tariff sheets for filing with an effective date of July 13, 2007. Thank you for your consideration of the documents submitted herewith.

Very truly yours,

PAINE HAMBLEN LLP

Gary A. Dahlke  
Attorneys for Avista Corporation

**3.5 Operating Reserve - Spinning Reserve Service:**  
Where applicable the rates and/or methodology are described in Schedule 5.

**3.6 Operating Reserve - Supplemental Reserve Service:**  
Where applicable the rates and/or methodology are described in Schedule 6.

**3.7 Generator Imbalance Service:**  
Where applicable the rates and/or methodology are described in Schedule 9.

#### **4. Open Access Same-Time Information System (OASIS)**

**4.1 Terms and Conditions:** Terms and conditions regarding Open Access Same-Time Information System and standards of conduct are set forth in 18 C.F.R. § 37 of the Commission's regulations (Open Access Same-Time Information System and Standards of Conduct for Public Utilities) and 18 C.F.R. § 38 of the Commission's regulations (Business Practice Standards and Communication Protocols for Public Utilities). In the event available transfer capability as posted on the OASIS is insufficient to accommodate a request for firm transmission service, additional studies may be required as provided by this Tariff pursuant to Sections 19 and 32.

The Transmission Provider shall post on its public website all rules, standards and practices that (i) relate to the terms and conditions of transmission service, (ii) are not subject to a North American Energy Standards Board (NAESB) copyright restriction, and (iii) are not otherwise included in this Tariff. The Transmission Provider shall post on OASIS an electronic link to these rules, standards and practices, and shall post on its public website an electronic link to the NAESB website where any rules, standards and practices that are protected by copyright may be obtained. The Transmission Provider shall also make available on its public website a statement of the process by which the Transmission Provider shall add, delete or otherwise modify the rules, standards and practices that are posted on its website. Such process shall set forth the means by which the Transmission Provider shall provide reasonable advance notice to Transmission Customers and Eligible Customers of any such additions, deletions or modifications, the associated effective date, and any additional implementation procedures that the Transmission Provider deems appropriate.

#### **4.2 Wholesale Electric Quadrant (WEQ) of the North American Energy Standards Board (NAESB)**

- (a) Business Practices for Open Access Same-Time Information Systems (OASIS) (WEQ-001, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Standards 001-0.2 through 001-0.8, 001-2.0 through 001-9.6.2, 001-9.8 through 001-10.8.6, and Examples 001-8.3-A,

001-9.2-A, 001-10.2-A, 001-9.3-A, 001-10.3-A, 001-9.4.1-A, 001-10.4.1-A, 001-9.4.2-A, 001-10.4.2-A, 001-9.5-A, 001-10.5-A, 001-9.5.1-A, and 001-10.5.1-A;

(b) Business Practices for Open Access Same-Time Information Systems (OASIS) Standards & Communication Protocols (WEQ-002, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Standards 002-1 through 002-5.10;

(c) Open Access Same-Time Information Systems (OASIS) Data Dictionary (WEQ-003, Version 000, January 15, 2005, with minor corrections applied March 25, 2005, and additional numbering added October 3, 2005) including Standard 003-0;

(d) Coordinate Interchange (WEQ-004, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Purpose, Applicability, and Standards 004-0 through 004-13, and 004-A through 004-D;

(e). Area Control Error (ACE) Equation Special Cases Standards (WEQ-005, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Purpose, Applicability, and Standards 005-0 through 005-3.1.3, and 005-A;

(f) Manual Time Error Correction (WEQ-006, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Purpose, Applicability, and Standards 006-0 through 006-12; and

(g) Inadvertent Interchange Payback (WEQ-007, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Purpose, Applicability, and Standards 007-0 through 007-2, and 007-A.

## 5. Local Furnishing Bonds

### 5.1 Transmission Providers That Own Facilities Financed by Local Furnishing Bonds:

This provision is applicable only to Transmission Providers that have financed facilities for the local furnishing of electric energy with tax-exempt bonds, as described in Section 142(f) of the Internal Revenue Code ("local furnishing

### SCHEDULE 3 Regulation and Frequency Response Service

Regulation and Frequency Response Service is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled Interconnection frequency at sixty cycles per second (60 Hz). Regulation and Frequency Response Service is accomplished by committing on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) and by other non-generation resources capable of providing this service as necessary to follow the moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the Transmission Provider (or the Control Area operator that performs this function for the Transmission Provider). The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Regulation and Frequency Response Service obligation. The Transmission Provider shall not be responsible to provide any required metering and communication equipment to facilitate the provision of this service to the Transmission Customer by either the Transmission Provider or any other party. The amount of and charges for Regulation and Frequency Response Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

#### Regulation and Frequency Response Service

(a) The Transmission Customer's load demand at each of the Points of Delivery within the Transmission Provider's Control Area will be metered at ten-minute integrated intervals. Only those intervals where the Transmission Customer's total load demand within the Transmission Provider's Control Area is greater than the scheduled load demand for the given hour will be used to determine the Transmission Customer's charge pursuant to this Schedule. The largest difference between ten-minute demand recordings and the hourly scheduled demand during a given month shall be the Transmission Customer's monthly Peak Load Fluctuation. The sum of the monthly Peak Load Fluctuations for all Transmission Customers receiving Regulation and Frequency Response Service under the Tariff shall be the monthly Peak Non-Coincident Load Fluctuation.

The sum of the differences between ten-minute integrated demand recordings and hourly scheduled demands for all Transmission Customers receiving Regulation and Frequency Response Service for each ten-minute interval shall determine the Peak Coincident Load Fluctuation for that ten-minute interval, thus accommodating all Transmission Customers' Regulation and Frequency Response Service diversity. The maximum Peak Coincident Load Fluctuation during a given month shall be used to determine the monthly revenue requirement for this service.

The Transmission Customer's Regulation and Frequency Response Service obligation shall be the ratio of the Transmission Customer's monthly Peak Load Fluctuation to the monthly Peak Non-Coincident Load Fluctuation, multiplied by the monthly Peak Coincident Load Fluctuation:

Regulation and Frequency Response Service Obligation	=	Transmission Customer's monthly Peak Load Fluctuation ----- monthly Peak Non-Coincident Load Fluctuation for all customers	x	monthly Peak Coincident Load Fluctuation for all customers
--	---	--	---	--

(b) In order to facilitate service under Schedule 3 at a reduced cost impact to Transmission Customer in the event available metering facilities at the Points of Delivery do not provide the necessary functionality to calculate applicable billing determinants under (a) above, the Parties may agree to use the following billing determinant in lieu of the methodology described in (a). Alternatively, the monthly Regulation and Frequency Response Service obligation shall be 2.0% of Transmission Customer's monthly peak Network Load.

(c) The Transmission Customer shall compensate the Transmission Provider at the monthly rate for Regulation and Frequency Response Service applied to the Transmission Customer's monthly Regulation and Frequency Response Service obligation. The monthly rate for Regulation and Frequency Response Service shall be no greater than \$8.94 per kW.

## **SCHEDULE 4** **Energy Imbalance Service**

Energy Imbalance Service is provided when a difference occurs between the scheduled and the actual delivery of energy to a load located within a Control Area over a single hour. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements which may include use of non-generation resources capable of providing this service, to satisfy its Energy Imbalance Service obligation. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator. The Transmission Provider may charge a Transmission Customer a penalty for either hourly generator imbalances under Schedule 9 or hourly energy imbalances under this Schedule for the same imbalance, but not both.

The charges for Energy Imbalance Service are as set forth below.

### **Energy Imbalance Service**

The Transmission Customer may elect to settle energy imbalance deviations within Deviation Band 1 either by the return of energy or by settling financially. The Service Agreement shall specify the Transmission Customer's initial election.

- (a) Imbalances within Deviation Band 1: Deviation Band 1 applies to the portion of an hourly imbalance deviation less than or equal to  $\pm 1.5\%$  of the scheduled amount of energy or  $\pm 2$  MW, whichever is larger in absolute value. The Transmission Customer may elect to settle imbalance deviations within Deviation Band 1 by the return of energy or by settling financially. The Transmission Customer may change such election no more often than once per any one-year period and such change shall only become effective upon the first day of a specified month. The Transmission Customer shall provide at least ninety (90) days' notice prior to any such change in election.
- (i) For imbalances within Deviation Band 1 settled by the return of energy, the Transmission Provider will maintain deviation accounts showing the net energy imbalance (the sum of positive and negative deviations from schedule for each hour) for Heavy Load Hour (HLH) and Light Load Hour (LLH) periods. Imbalance energy may be returned or accepted on a scheduled basis during comparable loading conditions during the month to bring the HLH and LLH deviation account balances to zero at the end of each month. The Transmission Provider shall have the right to approve or adjust any hourly schedules of return energy submitted by the Transmission Customer. Any remaining HLH or LLH deviation balances remaining at the end of the month shall be settled financially as follows:
- (A) When the monthly net energy (determined for HLH and LLH periods) taken by the Transmission Customer is greater than the energy scheduled, the charge is 100% of the weighted average Hourly Pricing Proxy (determined for HLH and LLH periods) for such month.
- (B) When the monthly net energy (determined for HLH and LLH periods) taken by the Transmission Customer is less than the energy scheduled, the Transmission Provider shall credit the Transmission Customer at 100% of the weighted average Hourly Pricing Proxy (determined for HLH and LLH periods) for such month.
- (ii) Hourly imbalance deviations within Deviation Band 1 settled financially shall be settled as follows:
- (A) When energy taken by the Transmission Customer during an hour is greater than the energy scheduled (negative deviation), the charge is 100% of the Hourly Pricing Proxy.
- (B) When energy taken by the Transmission Customer during an hour is less than the energy scheduled (positive deviation), the Transmission Provider shall credit the Transmission Customer at 100% of the Hourly Pricing Proxy.
- (b) Imbalances within Deviation Band 2: Deviation Band 2 applies to the portion of an hourly imbalance deviation greater than  $\pm 1.5\%$  of the scheduled amount of energy or  $\pm 2$  MW, whichever is larger in absolute value, up to and including  $\pm 7.5\%$  of the scheduled amount of energy or  $\pm 5$  MW, whichever is larger in absolute value.

- (i) When energy taken by the Transmission Customer during an hour is greater than the energy scheduled (negative deviation), the charge is 110% of the Hourly Pricing Proxy.
  - (ii) When energy taken by the Transmission Customer during an hour is less than the energy scheduled (positive deviation), the Transmission Provider shall credit the Transmission Customer at 90% of the Hourly Pricing Proxy.
- (c) Imbalances within Deviation Band 3: Deviation Band 3 applies to the portion of an hourly imbalance deviation greater than  $\pm 7.5\%$  of the scheduled amount of energy or greater than  $\pm 5$  MW of the scheduled amount of energy, whichever is larger in absolute value.
  - (i) When energy taken by the Transmission Customer during an hour is greater than the energy scheduled (negative deviation), the charge is 125% of the Hourly Pricing Proxy, or 100 mills per kilowatt-hour, whichever is greater.
  - (ii) When energy taken by the Transmission Customer during an hour is less than the scheduled amount (positive deviation), the Transmission Provider shall credit the Transmission Customer at 75% of the Hourly Pricing Proxy.
- (d) Hourly Pricing Proxy: For purposes of financially settling energy imbalances in any of the deviation bands, the "Hourly Pricing Proxy" is defined as the Dow Jones Mid-Columbia Daily Firm Index, On-Peak (hours ending 0700 through 2200 Pacific Prevailing Time Monday through Saturday inclusive, excluding NERC holidays) and Off-Peak (all other hours), subject to the following: For any on-peak or off-peak period during which Avista's Clark Fork River system (Noxon Rapids or Cabinet Gorge) is in a Forced Spill Condition, no compensation shall be given for a positive deviation for any hour of such on-peak or off-peak period. If data for calculating any Hourly Pricing Proxy is not available from Dow Jones, data from the same time of day from the previous day shall be used. Should the Dow Jones Mid-Columbia Daily Firm Index become no longer generally available, the Parties shall agree upon a replacement definition for the Hourly Pricing Proxy and shall specify such replacement definition in the Service Agreement.
- (e) Forced Spill Condition: For purposes of Energy Imbalance Service, a "Forced Spill Condition" exists when spill physically occurs on Avista's hydro system due to lack of load and/or market. Spill due to lack of load and/or market typically occurs during periods of high flows or flood control implementation, but can also occur at other times. Discretionary spill, where Avista may choose whether to spill, does not constitute a Forced Spill Condition. Spill for fish is included in discretionary spill and is not a Forced Spill Condition. Spill that occurs when all of Avista's available hydro units on its Clark Fork River system are generating at full load is not a Forced Spill Condition. Avista must post the Forced Spill Condition on its OASIS or otherwise notify the Transmission Customer at least two (2) hours prior to the Forced Spill Condition becoming effective. Avista shall document the lack of load and/or market that cause the Forced Spill Condition, and this documentation shall be provided to the Transmission Customer upon request.

## SCHEDULE 5 Operating Reserve - Spinning Reserve Service

Spinning Reserve Service is needed to serve load immediately in the event of a system contingency. Spinning Reserve Service may be provided by generating units that are on-line and loaded at less than maximum output and by non-generation resources capable of providing this service. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Spinning Reserve Service obligation. The Transmission Customer's Spinning Reserve Service obligation shall be consistent with North American Electric Reliability Council and Western Systems Coordinating Council Operating Criteria. In conjunction with Supplemental Reserve Service, Spinning Reserve Service shall continue to provide the required reserves up to the end of the first full hour immediately following the hour in which the contingency occurred. The Transmission Customer shall adjust and submit revised interchange schedules for the first full hour immediately following the hour in which the contingency occurred in order to reflect any constraints imposed by the contingency. The amount of and charges for Spinning Reserve Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

### Operating Reserve - Spinning Reserve Service

- (a) The Transmission Customer's monthly Spinning Reserve Service obligation for all transmission service purchased under the Tariff shall be the greater of:
- (i) 3.0% of the sum of the Transmission Customer's monthly Network Load within the Transmission Provider's Control Area and monthly Reserved Capacity at Points of Delivery within the Transmission Provider's Control Area, or
  - (ii) the sum of 2.5% of the Transmission Customer's hydro generation located within the Transmission Provider's Control Area and 3.5% of the Transmission Customer's thermal generation located within the Transmission Provider's Control Area, for which transmission service is being provided under the Tariff.
- (b) 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.

## SCHEDULE 6 Operating Reserve - Supplemental Reserve Service

Supplemental Reserve Service is needed to serve load in the event of a system contingency; however, it is not available immediately to serve load but rather within a short period of time. Supplemental Reserve Service may be provided by generating units that are on-line but unloaded, by quick-start generation or by interruptible load or other non-generation resources capable of providing this service. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Supplemental Reserve Service obligation. The Transmission Customer's Supplemental Reserve Service obligation shall be consistent with North American Electric Reliability Council and Western Systems Coordinating Council Operating Criteria. In conjunction with Spinning Reserve Service, Supplemental Reserve Service shall continue to provide the required reserves up to the end of the first full hour immediately following the hour in which the contingency occurred. The Transmission Customer shall adjust and submit revised interchange schedules for the first full hour immediately following the hour in which the contingency occurred in order to reflect any constraints imposed by the contingency. The amount of and charges for Supplemental Reserve Service are set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

### Operating Reserve - Supplemental Reserve Service

- (a) The Transmission Customer's monthly Supplemental Reserve Service obligation for all transmission service purchased under the Tariff shall be the greater of:
- (i) 3.0% of the sum of the Transmission Customer's monthly Network Load within the Transmission Provider's Control Area and monthly Reserved Capacity at Points of Delivery within the Transmission Provider's Control Area, or
  - (ii) the sum of 2.5% of the Transmission Customer's hydro generation located within the Transmission Provider's Control Area and 3.5% of the Transmission Customer's thermal generation located within the Transmission Provider's Control Area, for which transmission service is being provided under the Tariff.
- (b) The Transmission Customer shall compensate the Transmission Provider at the monthly rate for Supplemental Reserve Service applied to the Transmission Customer's monthly Supplemental Reserve Service obligation. The monthly rate for Supplemental Reserve Service shall be no greater than \$8.94 per kW.

**ATTACHMENT A**

**Form Of Service Agreement For  
Firm Point-To-Point Transmission Service**

-----

**LONG-TERM FIRM POINT-TO-POINT TRANSMISSION SERVICE AGREEMENT  
under  
AVISTA CORPORATION'S  
OPEN ACCESS TRANSMISSION TARIFF  
FERC ELECTRIC TARIFF, VOLUME NO. 8**

This LONG-TERM FIRM POINT-TO-POINT TRANSMISSION SERVICE AGREEMENT made and entered into this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between AVISTA CORPORATION ("Avista Corp.") and TRANSMISSION CUSTOMER ("<Transmission Customer>"), which hereinafter may be referred to individually as "Party" or collectively as "Parties".

**WITNESSETH**

WHEREAS, Avista Corp. provides Firm Point-To-Point Transmission Service over its Transmission System under Avista Corp.'s Open Access Transmission Tariff; and  
WHEREAS, <Transmission Customer> desires to receive Long-Term Firm Point-To-Point Transmission Service under Avista Corp.'s Open Access Transmission Tariff; and  
NOW THEREFORE, the Parties agree as follows:

**Section 1 - Definitions**

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in Avista Corp.'s Open Access Transmission Tariff, FERC Electric Tariff, Volume No. 8 ("Tariff"). <Transmission Customer> shall be the Transmission Customer as such term is used in the Tariff and Avista Corp. shall be the Transmission Provider as such term is used in the Tariff.

**Section 2 - Standard Provisions**

2.1 **Terms and Conditions:** The terms and conditions under which Long-Term Firm Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Avista Corp. may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista Corp..

- 2.2 Completed Application: Avista Corp. has determined that <Transmission Customer> is deemed to have a Completed Application for Firm Point-To-Point Transmission Service under the Tariff.
- 2.3 Application Deposit: <Transmission Customer> has provided to Avista Corp. an Application deposit in accordance with the provisions of Section 17.3 of the Tariff.
- 2.4 System Impact and Facilities Studies: Study Agreements for a System Impact Study and/or a Facilities Study <are/are not> required for the Application dated \_\_\_\_\_, \_\_\_\_\_.

### Section 3 - Term and Regulatory Filing

- 3.1 Effective Date and Filing: This Service Agreement shall be effective on the Service Commencement Date of \_\_\_\_\_, \_\_\_\_\_ or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista Corp. shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 Termination of Agreement: This Service Agreement shall remain in effect through \_\_\_\_\_, \_\_\_\_\_.

### Section 4 - Long-Term Firm Point-To-Point Transmission Service

Commencing on the Effective Date Avista Corp. shall provide, and <Transmission Customer> shall take and pay for, Long-Term Firm Point-To-Point Transmission Service pursuant to the Tariff. Exhibit 1 to this Service Agreement lists the Points of Receipt and Points of Delivery, the amounts of Reserved Capacity at the Points of Receipt and Points of Delivery and applicable charges for Long-Term Firm Point-To-Point Transmission Service.

### Section 5 - Other Services

Commencing on the Effective Date Avista Corp. shall provide, and <Transmission Customer> shall take and pay for, the following Ancillary Services:

- 5.1 Scheduling, System Control and Dispatch Service
- 5.2 Reactive Supply and Voltage Control from Generation Sources Service
- 5.3 Regulation and Frequency Response Service
- 5.4 Energy Imbalance Service
- 5.5 Operating Reserve - Spinning Reserve Service
- 5.6 Operating Reserve - Supplemental Reserve Service

The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

### Section 6 - Construction of Facilities

<No construction/Construction> of Direct Assignment Facilities or Network Upgrades <are/is> required for Firm Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to <Transmission Customer> shall be sent to:

Attention: <>

<>  
<>  
<>

All payments to Avista Corp. shall be wire transferred to:

<>  
ABA #0000000000 for credit to  
Avista Corporation  
Account No. 00000000

Section 8 - Miscellaneous Provisions

- 8.1 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.2 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.3 Notices: Any written notice or request made to Avista Corp. under this Service Agreement shall be directed to:

Attention: Director, Transmission Operations  
Avista Corporation  
1411 East Mission Avenue  
Spokane, Washington 99202-2600  
or  
P. O. Box 3727  
Spokane, Washington 99220-3727

Any written notice or request made to <Transmission Customer> under this Service Agreement shall be directed to:

Attention: <>

<>  
<>  
<>

IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: \_\_\_\_\_

\_\_\_\_\_  
*print/type*

\_\_\_\_\_  
*Title*

Signed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

<TRANSMISSION CUSTOMER>

By: \_\_\_\_\_

\_\_\_\_\_  
*print/type*

\_\_\_\_\_  
*Title*

Signed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**EXHIBIT 1**  
**SPECIFICATIONS AND CHARGES FOR**  
**LONG-TERM FIRM POINT-TO-POINT TRANSMISSION SERVICE**

**Point of Receipt**

Location: <>

Reserved Capacity: <>

Delivering Party: <>

**Point of Delivery**

Location: <>

Reserved Capacity: <>

Receiving Party: <>

**Reserved Capacity**

Maximum Amount of Capacity and Energy to be Transmitted:

<>

**Monthly Transmission Charge**

(Pursuant to Schedule 7 of the Tariff)

One twelfth of the yearly transmission charge of \$\_\_\_\_\_/kW of Reserved Capacity, or \$\_\_\_\_\_/kW.

**Losses**

(Pursuant to Section 15.7 of the Tariff)

Loss Factor is three percent (3%) applied to actual energy transmitted, to be delivered to Avista Corp. at either the Point of Receipt or the Point of Delivery. <Transmission Customer> shall return losses on a daily basis, in whole megawatt increments.

Issued by: Jeff Schlect, Manager, Transmission Services

Effective: July 13, 2007

Issued on: April 16, 2007

Filed in compliance with Order No. 890, *Preventing Undue Discrimination and Preference in Transmission Service*, 72 Fed. Reg. 12,266 (Mar. 15, 2007)

**System Impact and/or Facilities Study Charges**

(Pursuant to Section 19 of the Tariff)



**Direct Assignment Facilities Charges**



**Designation of Party Subject to Reciprocal Service Obligation**

(Pursuant to Section 6 of the Tariff)



**EXHIBIT 2**  
**SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES**

**Scheduling, System Control and Dispatch Service**

<>

**Reactive Supply and Voltage Control from Generation Sources**

<>

**Regulation and Frequency Response Service**

(Pursuant to Schedule 3 of the Tariff)

<>

Monthly Charge = <>

**Energy Imbalance Service**

(Pursuant to Schedule 4 of the Tariff)

**Operating Reserve - Spinning Reserve Service**

(Pursuant to Schedule 5 of the Tariff)

<>

Monthly Charge = <>

**Operating Reserve - Supplemental Reserve Service**

(Pursuant to Schedule 6 of the Tariff)

<>

Monthly Charge = <>

**ATTACHMENT B**

**Form Of Service Agreement For  
Short-Term Firm Point-To-Point Transmission Service and  
Non-Firm Point-To-Point Transmission Service**

-----

**SHORT-TERM FIRM POINT-TO-POINT TRANSMISSION SERVICE  
and  
NON-FIRM POINT-TO-POINT TRANSMISSION SERVICE  
AGREEMENT  
under  
AVISTA CORPORATION'S  
OPEN ACCESS TRANSMISSION TARIFF  
FERC ELECTRIC TARIFF VOLUME NO. 8**

This SHORT-TERM FIRM POINT-TO-POINT TRANSMISSION SERVICE and NON-FIRM POINT-TO-POINT TRANSMISSION SERVICE AGREEMENT made and entered into this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between AVISTA CORPORATION ("Avista Corp.") and TRANSMISSION CUSTOMER ("<Transmission Customer>"), which hereinafter may be referred to individually as "Party" or collectively as "Parties".

**WITNESSETH**

WHEREAS, Avista Corp. provides Short-Term Firm Point-To-Point Transmission Service and Non-Firm Point-To-Point Transmission Service over its Transmission System under Avista Corp.'s Open Access Transmission Tariff; and

WHEREAS, <Transmission Customer> desires to obtain Short-Term Firm Point-To-Point Transmission Service and Non-Firm Point-To-Point Transmission Service over Avista Corp.'s Transmission System from time to time.

NOW THEREFORE, the Parties agree as follows:

**Section 1 - Definitions**

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in Avista Corp.'s Open Access Transmission Tariff, FERC Electric Tariff Volume No. 8 ("Tariff"). <Transmission Customer> shall be the Transmission Customer as such term is used in the Tariff and Avista Corp. shall be the Transmission Provider as such term is used in the Tariff.

### Section 2 - Standard Provisions

- 2.1 Terms and Conditions: The terms and conditions under which short-term firm and non-firm Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement as Exhibit 1. Avista Corp. may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista Corp..
- 2.2 Eligible Customer: <Transmission Customer> represents that it is an Eligible Customer under the Tariff.

### Section 3 - Term and Regulatory Filing

- 3.1 Effective Date and Filing: This Service Agreement shall be effective on the date set forth above or such other date as may be designated by the Commission when accepted for filing ("Effective Date"). Avista Corp. shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 Termination Due to Lack of Creditworthiness: If at any time during the term of this Service Agreement Avista Corp. should require <Transmission Customer>, by written notice and pursuant to Section 11 of the Tariff, to provide and maintain a form of security and <Transmission Customer> does not comply with this requirement within a reasonable period of time, Avista Corp. may terminate this Service Agreement upon approval by the Commission pursuant to a filing by Avista Corp..
- 3.3 Termination of Agreement: Except as provided in paragraph 3.2, this Service Agreement shall remain in effect until such time as <Transmission Customer> provides written notice of termination to Avista Corp..

### Section 4 - Point-To-Point Transmission Service

- 4.1 Avista Corp. shall provide Short-Term Firm Point-To-Point Transmission Service and Non-Firm Point-To-Point Transmission Service upon request by an authorized representative of <Transmission Customer>.
- 4.2 <Transmission Customer> agrees to supply information which Avista Corp. deems reasonably necessary in accordance with Good Utility Practice in order for it to provide the requested service.
- 4.3 Avista Corp. shall provide, and <Transmission Customer> shall take and pay for, Short-Term Firm Point-To-Point Transmission Service and Non-Firm Point-To-Point Transmission Service pursuant to the provisions of Part II of the Tariff and this Service Agreement.
- 4.4 The applicable charges for Short-Term Firm Point-To-Point Transmission Service shall be pursuant to Schedule 7 of the Tariff and shall be agreed upon by the Parties at the time such service is reserved.
- 4.5 The applicable charges for Non-Firm Point-To-Point Transmission Service shall be pursuant to Schedule 8 of the Tariff and shall be agreed upon by the Parties at the time such service is reserved.

Section 5 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to <Transmission Customer> shall be sent to:

Attention: <>

<>  
<>  
<>

All payments to Avista Corp. shall be wire transferred to:

<>

ABA #0000000000 for credit to  
Avista Corporation  
Account No. 00000000

Section 6 - Miscellaneous Provisions

- 6.1 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 6.2 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 6.3 Notices: Any written notice or request made to Avista Corp. under this Service Agreement shall be directed to:

Attention: Director, Transmission Operations  
Avista Corporation  
1411 East Mission Avenue  
Spokane, Washington 99202-2600  
or  
P. O. Box 3727  
Spokane, Washington 99220-3727

Any written notice or request made to <Transmission Customer> under this Service Agreement shall be directed to:

Attention: <>

<>  
<>  
<>

IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: \_\_\_\_\_

\_\_\_\_\_  
*print/type*

\_\_\_\_\_  
*Title*

Signed this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

<TRANSMISSION CUSTOMER>

By: \_\_\_\_\_

\_\_\_\_\_  
*print/type*

\_\_\_\_\_  
*Title*

Signed this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.