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January 17, 2023

Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, Washington 98503

Re: Docket No. UE-011595, Monthly Power Cost Deferral Report, December 2022
Docket No. UE-140188, Monthly REC Report, December 2022

Dear Ms. Maxwell:

Enclosed for electronic filing is Avista Corporation's Power Cost Deferral Report for the month of December 2022.[1] The report includes the monthly Energy Recovery Mechanism (ERM) accounting journal together with supporting work papers (Attachment A). The native format of the Excel worksheets for the deferral calculation and the journal in "pdf" format are attached to the electronic filing. Please note "pdf" is the native form for the deferral journal. In summary, the following cumulative balances ending December 31, 2022 (including interest) relate to the ERM:

	Total	Absorbed (Avista)	Deferred (Customer)
First $4M at 100%	$ 4,000,000	$ 4,000,000	$ -
$4M to $10M at 25% (rebate)		$ -	$ -
$4M to $10M at 50% (surcharge)	$ 6,000,000	$ 3,000,000	$ 3,000,000
Over $10M at 10%	$ 38,834,582	$ 3,883,458	$ 34,951,124
	$ 48,834,582	$ 10,883,458	$ 37,951,124

As summarized on page 9 of the Power Cost Deferral report, actual net power supply costs, including the retail revenue adjustment, for December were higher than authorized net power costs

[1] The December report includes a non-standard journal which corrected calendar usage for the deferral calculation. This non-standard journal (NSJ017) begins on page 23. The ERM calculation which begins on page 8 is inclusive of this amount.

for Washington by $27,539,168. An accounting entry in the surcharge direction in the amount of $24,785,251 was recorded, contributing to a year-to-date deferral balance of $37,951,123 in the surcharge direction.

As illustrated in the table above, actual power costs were significantly higher than authorized, resulting in a material variance for the year. December alone accounted for $24.8 million of the total annual $37.9 million surcharge deferral. The primary reason for this surcharge is due to natural gas and electric prices which were extremely high during this period. Complicating the actual to authorized analysis is a reset of authorized approved in UE-220053 with an effective date of December 21, 2022. Given the significance of this variance, in addition to the timing associated with updating models with pro-rated amounts, no stand-alone variance analysis is provided in this monthly report. The Company will provide detail in its 2022 Annual ERM filing due on or before March 31, 2023. At that time, the Company will also file for a surcharge tariff given the total deferral balance (including previously approved for prudency rebates) exceeds the $30 million trigger.

In addition, tracking and recording of the Solar Select program is consolidated into account 186295 (see page 7). The Company consolidated the impacts of the program into one general ledger account to provide additional transparency for annual ERM reporting. For ease of reference and budget purposes the Company is crediting the monthly net benefit/costs for this program monthly (rather than annually). The Solar Select program was in the rebate direction for the month in the amount of $79,823 Solar Select will be evaluated for prudency for the 2022 time period along with the 2022 Annual ERM filing due on or before March 31, 2023.

The report also includes the monthly renewable energy credits (RECs) accounting journal together with backup work papers (Attachment B). Per Order 05, Docket UE-140188, the Company defers 100% of the net monthly RECs not associated with compliance for the Washington Energy Independence Act. For a summary of beginning and ending balances, as well as monthly activity including net revenues for the month of $168,865 plus interest, please see page 29.

Interest for the ERM is calculated pursuant to the Settlement Stipulation approved by the Commission's Fifth Supplemental Order in Docket No. UE-011595, dated December 18, 2002. Interest is applied to the average of the beginning and ending month deferral balances net of associated deferred federal income tax. The Company's actual cost of debt is used as the interest rate. The interest rate is updated semi-annually, and interest is compounded semi-annually.

If you have any questions, please contact Annette Brandon at (509) 495-4324.

Sincerely,

/S/Patrick D. Ehrbar

Patrick D. Ehrbar
Director of Regulatory Affairs