



Avista Corp.

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June 15, 2017

Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Re: Docket No. UE-011595, Monthly Power Cost Deferral Report, May 2017
Docket No. UE-140188, Monthly REC Report, May 2017

Dear Mr. King:

Enclosed for electronic filing is Avista Corporation's Power Cost Deferral Report for the month of May 2017. The report includes the monthly Energy Recovery Mechanism (ERM) accounting journal together with supporting work papers (Attachments A and B). 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.

As summarized on page 14 of the May 2017 Power Cost Deferral report, actual net power supply costs were lower than authorized net power costs for the Washington jurisdiction by \$658,496. A deferral entry was recorded in the rebate direction for \$493,872. Year to date, actual net power supply costs were lower than authorized net power supply costs for the Washington jurisdiction by \$6,371,621. Through May 2017, the Company has absorbed approximately \$4,592,905, and recorded a deferral in the rebate direction in the amount of \$1,778,716 as illustrated below:

	Total	Absorbed (Avista)	Deferred (Customer)
First \$4M at 100%	\$ 4,000,000	\$ 4,000,000	\$ -
\$4M to \$10M at 25% (rebate)	\$ 2,371,621	\$ 592,905	\$ 1,778,716
\$4M to \$10M at 50% (surcharge)	\$ -	\$ -	\$ -
Over \$10M at 10%	\$ -	\$ -	\$ -
	\$ 6,371,621	\$ 4,592,905	\$ 1,778,716

Per the multiparty settlement stipulation in Docket No. UE-120436, the Company's rate adjustment trigger is \$30 million. Combined with the current year deferral balance, the current deferral rebate balance is approximately \$23.3 million (including interest).

In May 2017, actual power supply expense was lower than the authorized level due primarily to lower power purchase prices. The average purchased power price was \$8.00/MWh compared to an authorized price of \$16.54/MWh. The average natural gas price was \$2.54/dth compared to an authorized price of \$2.63/dth.

Hydro generation was 38 aMW below the authorized level. Colstrip and Kettle Falls generation was 62 aMW and 15 aMW below the authorized level, respectively. Natural gas-fired generation was 35 aMW below the authorized level. The net transmission expense (transmission expense less transmission revenue) was below the authorized level. Washington retail sales were 19 aMW below the authorized level.

The report also includes the monthly renewable energy credits (REC) accounting journal together with backup work papers (Attachment C). Per Order 05, Docket UE-140188, the Company defers 100% of the net monthly renewable energy credits (REC) not associated with compliance for the Washington Energy Independence Act. The amount of net revenues/(expense) for May 2017 is \$265,971.

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 Bill Johnson at (509) 495-4046 or Annette Brandon at (509) 495-4324.

Sincerely,



Kelly Norwood
Vice President, State and Federal Regulation

AB
Enclosure

C: Public Counsel
Industrial Customers of Northwest Utilities

