



Avista Corp.

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March 15, 2018

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, February 2018
Docket No. UE-140188, Monthly REC Report, February 2018

Dear Mr. King:

Enclosed for electronic filing is Avista Corporation's Power Cost Deferral Report for the month of February 2018. 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.

As summarized on page 14 of the February 2018 Power Cost Deferral report, actual net power supply costs were lower than authorized net power costs for the Washington jurisdiction by \$2,928,712. A deferral entry was recorded in the amount of \$1,007,942 in the rebate direction for the month. Year to date actual net power supply costs were lower than authorized power supply costs for in the amount of \$5,343,923 with \$4,335,981 absorbed by the Company and \$1,007,942 recorded in the deferral as illustrated in the table below.

| | <u>Total</u> | <u>Absorbed (Avista)</u> | <u>Deferred (Customer)</u> |
|----------------------------------|----------------|--------------------------|----------------------------|
| First \$4M at 100% | \$ (4,000,000) | \$ (4,000,000) | \$ - |
| \$4M to \$10M at 25% (rebate) | \$ (1,343,923) | \$ (335,981) | \$ (1,007,942) |
| \$4M to \$10M at 50% (surcharge) | \$ - | \$ - | \$ - |
| Over \$10M at 10% | \$ - | \$ - | \$ - |
| | \$ (5,343,923) | \$ (4,335,981) | \$ (1,007,942) |

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 \$23.96 million (excluding interest).

Actual power supply expense was lower than authorized power supply due primarily to higher than authorized hydro generation and lower than authorized natural gas and power prices. Hydro generation was 173 aMW above the authorized level. The average purchased power price was \$13.82/MWh compared to an authorized price of \$26.09/MWh. The average natural gas price was \$2.45/dth compared to an authorized price of \$2.91/dth.

Colstrip and Kettle Falls generation was 30 aMW below and 7 aMW above the authorized level respectively. Natural Gas-fired generation was 177 aMW below the authorized level. The net transmission expense (transmission expense less transmission revenue) was below the authorized level. Washington retail sales were 26 aMW below the authorized level.

The report also includes the monthly renewable energy credits (REC) accounting journal together with backup work papers (Attachment B). 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 February 2018 was \$167,196.

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,



Patrick D. Ehrbar
Director of Regulatory Affairs

