



Avista Corp.

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August 15, 2018

Mark L. Johnson
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, July 2018
Docket No. UE-140188, Monthly REC Report, July 2018

Dear Mr. Johnson:

Enclosed for electronic filing is Avista Corporation's Power Cost Deferral Report for the month of July 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 July 2018 Power Cost Deferral report, actual net power supply costs were higher than authorized net power costs for the Washington jurisdiction by \$1,423,183. A deferral entry was recorded in the amount of \$1,280,865 in the surcharge direction for the month. Year to date actual net power supply costs were lower than authorized power supply costs in the amount of \$11,989,089 with \$5,698,909 retained by the Company and \$6,290,180 recorded in the deferral, as illustrated in the table below.

	Total	Absorbed (Avista)	Deferred (Customer)
First \$4M at 100%	\$ (4,000,000)	\$ (4,000,000)	\$ -
\$4M to \$10M at 25% (rebate)	\$ (6,000,000)	\$ (1,500,000)	\$ (4,500,000)
\$4M to \$10M at 50% (surcharge)	\$ -	\$ -	\$ -
Over \$10M at 10%	\$ (1,989,089)	\$ (198,909)	\$ (1,790,180)
	\$ (11,989,089)	\$ (5,698,909)	\$ (6,290,180)

Combined with the current year deferral balance, the total deferral rebate balance is approximately \$30.0 million (excluding interest). While the rebate balance exceeds the \$30 million trigger for a rate adjustment, the 2018 deferral (approximately \$6.3 million, which is part of the \$30.0 million balance) will not be reviewed for prudence until next year. If the total deferral balance at the end of 2018 exceeds \$30 million, Avista will file a rate adjustment with its annual ERM filing, and request a July 1, 2019 rate adjustment, to rebate to customers the balance at December 31, 2018.

Actual power supply expense was higher than the authorized level due primarily to issues at Colstrip that greatly reduced generation and higher than authorized power prices. Colstrip generation was 111 aMW below the authorized level. The average purchased power price was \$45.83/MWh compared to an authorized price of \$19.93/MWh. The average natural gas price was \$2.05/dth compared to an authorized price of \$2.49/dth.

Hydro generation was 62 aMW below the authorized level. Kettle Falls generation was 20 aMW above the authorized level. Gas-fired generation was 191 aMW above the authorized level. The net transmission expense (transmission expense less transmission revenue) was below the authorized level. Washington retail sales were 8 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 July 2018 was \$199,983.

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