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January 15, 2019

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

Dear Mr. Johnson:

Enclosed for electronic filing is Avista Corporation’s Power Cost Deferral Report for the month of December 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 13 of the December 2018 Power Cost Deferral report, actual net power supply costs were lower than authorized net power costs for the Washington jurisdiction by \$488,633. A deferral entry was recorded in the amount of \$439,769 in the rebate direction for the month. Year to date actual net power supply costs were lower than authorized power supply costs in the amount of \$15,544,268 with \$6,054,427 retained by the Company and \$9,489,841 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%	\$ (5,544,268)	\$ (554,427)	\$ (4,989,841)
	\$ (15,544,268)	\$ (6,054,427)	\$ (9,489,841)

Combined with the current year deferral balance, the year-end total deferral rebate balance is approximately \$34.4 million (including interest). With a total deferral balance at the end of 2018 exceeding the \$30 million trigger, Avista will file a rate adjustment with its annual ERM filing, which will be filed on or before March 31, 2019, and request a July 1, 2019 rate adjustment.

Actual power supply expense was lower than the authorized level due primarily to higher transmission revenue and lower loads in a higher price environment. The average power price was \$45.44/MWh compared to an authorized price of \$26.08/MWh. The average natural gas price was \$2.01/dth compared to an authorized price of \$2.83/dth.

Hydro generation was 15 aMW below the authorized level. Colstrip and Kettle Falls generation was 18 aMW below and 3 aMW above the authorized level respectively. Gas-fired generation was 201 aMW below the authorized level. The net transmission expense (transmission expense less transmission revenue) was below the authorized level. Washington retail sales were 39 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 December 2018 was \$189,824.

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