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September 7, 2016

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Attention: Mr. Steven King, Executive Director & Secretary

RE: Avista Corporation Affiliated Interest Filing (Spirae, LLC) pursuant to RCW 80.16.020.

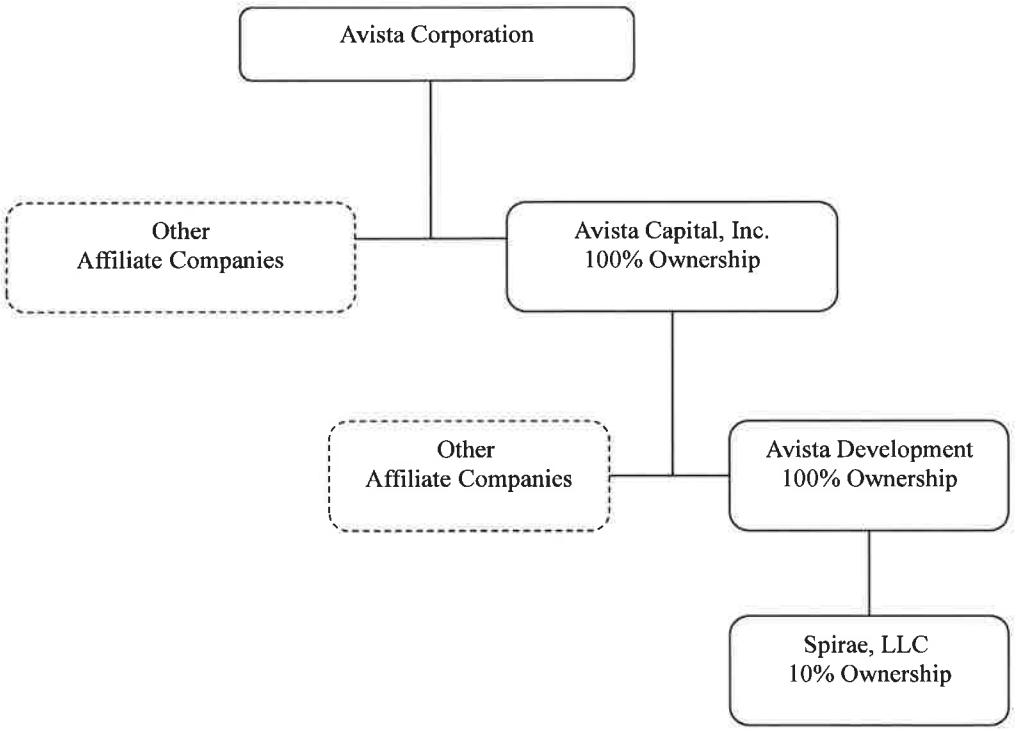
Dear Mr. King,

Pursuant to RCW 80.16.020 and WAC 480-100-245, please find enclosed for filing an original and three copies of the "Professional Services Agreement" and other relevant documents between Avista Corp. and Spirae, LLC ("Spirae"). Avista is providing notice to the Commission that it is Avista's intent to enter into a service agreement with Spirae, related to the Company's Turner Energy Storage Project.[1]

Avista made, through an affiliate Avista Capital, an investment in Spirae and will do business with Spirae, thus making Spirae an affiliate. The Professional Services Agreement and associated documents are attached hereto as Confidential Attachment A. Further background information regarding Avista and Spirae is located in Confidential Attachment B. Below is an organizational chart for ease of reference.

[1] The Turner Energy Storage Project is a 1 megawatt vanadium flow battery owned by Avista. The energy storage system is installed on the campus of Schweitzer engineering Laboratories ("SEL") in Pullman, WA.

Organizational Chart



Spirae is a technology company that provides software, hardware, and services to connect distributed energy resources to a utility distribution system to maximize customer benefits while ensuring effective operation of the utility distribution system. Spirae was awarded a Professional Services Agreement to deploy their "Wave" product hardware and software, to allow Avista to operate the Turner Energy Storage Project in a microgrid, as well as determine the optimal economic application of that asset.

The offerings of Spirae provide for the effective operation of a microgrid, a subset of a utility distribution system, in the event of a utility system disturbance or isolation from the larger grid. Spirae assists utilities in delivering new services to customers as well as to operate more efficiently. With new DER[2] technologies becoming both technically and financially viable, the ability to manage a dynamic portfolio of distributed resources for utility, customer, and market applications will be critical for both utilities and consumers. This capability improves reliability for customers and improves resiliency of the grid.

Spirae's business focus and business model relate to the development of new products, services, and technologies, and how those items can help integrate DER into the traditional grid. Therefore, Avista Capital, a wholly-owned subsidiary of Avista Corp., and the parent corporation of Avista's non-regulated subsidiary investments and operations, made an investment in Spirae in April 2016. That investment will help accelerate the availability of their technology to customers and utilities alike. As a result of its investment Avista Development is now a 10% owner of Spirae.

[2] Distributed Energy Resources

Terms of the Contract

A summary of the primary terms of the Professional Services Agreement, which has been included as Confidential Attachment A, are as follows:

a) Spirae will deploy the "Wave" product to operate the Turner Storage Battery in a microgrid, as well as determine the optimal economic application of the storage asset.
b) Avista will pay Spirae for the software, hardware and engineering services.
c) The Agreement will remain in effect until September 30, 2017 and every year thereafter.

The Service Agreement is in the Public Interest

As explained above, Avista believes this Professional Services Agreement is in the public interest. The, which was reached after a thorough RFP process explained in Confidential Attachment B.

Under the terms of the agreement, Spirae will deploy at Avista its "Wave" application. The Wave application is an enterprise application which is designed to operate distributed energy resources to optimize their economic value. The Wave product is designed to determine both day-ahead and real-time forecasts to derive the operational schedule for the distributed energy resource. The Wave product will be deployed in Avista's operational environment to automatically dispatch the Turner Battery in order to optimize its economic and operational values. In addition, Avista will be able to evaluate PNNL's simulated optimal dispatch by comparison to Wave's actual optimized dispatch schedule. The results of the operational analysis, together with the simulated results from PNNL, will help Avista better understand how to best derive benefits for Avista and its customer in future DER installations.

Avista respectfully requests that the Commission complete its review of this agreement and promptly notify the Company if is believes that the agreement is inconsistent with public interest.[3]

In accordance with WAC 480-07-160, Avista Corporation requests confidential treatment of the Professional Services Agreement provided in Attachment A and Background Information provided in Attachment B. These attachments are marked "Confidential."

Please direct any question regarding this filing to Karen Schuh at (509) 495-2293.

Sincerely,

Kelly Norwood

Kelly Norwood
Vice President, State & Federal Regulation

[3] Avista respectfully requests that the Commission complete its review of this filing on or before October 15, 2016, so that this agreement, by its terms, may become effective.