

**Avista Corp.**

1411 East Mission PO Box 3727  
Spokane, Washington 99220-3727  
Telephone 509-489-0500  
Toll Free 800-727-9170



June 30, 2009

Mr. David Danner, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive, S.W.  
P.O. Box 47250  
Olympia, Washington 98504-7250

Re: Tariff WN U-28, Electric Service  
Residential and Small Farm Energy Rate Adjustment Credit

Dear Mr. Danner:

Attached for filing with the Commission is one copy of the following tariff sheet proposed to be effective August 1, 2009:

Ninth Revision Sheet 59 Canceling Substitute Eighth Revision Sheet 59

The proposed tariff sheet reflects a rate adjustment related to an increase in residential exchange program benefits that Avista will receive as a result of a settlement with the Bonneville Power Administration (BPA). The settlement resolves the long-standing dispute we have had with BPA over the "Deemer Account" assigned to Avista under the 1981 Residential Exchange contracts. Settlement of the Deemer Account issue increases the amount of future residential exchange program benefits to be received for Avista's customers beginning with BPA's fiscal year 2009 (October 1, 2008 – September 30, 2009). Attachment A is a copy of the settlement.

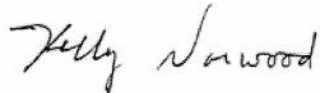
The current 0.068¢ per kilowatt-hour rate credit to pass through residential exchange program benefits was approved effective November 1, 2008. That rate credit was based on an assumed level of payments from BPA of \$2.35 million related to BPA's 2009 fiscal year. The settlement of the Deemer Account raises the amount for the 2009 fiscal year to \$8.9 million.

Enclosed is a set of workpapers that shows the derivation of the proposed 0.298¢ per kilowatt-hour rate credit proposed to be effective August 1, 2009. The proposed rate credit is designed to pass through program benefit amounts related to BPA's 2009 and 2010 fiscal years, net of the over-refunded balance, during the period of August 1, 2009 through October 31, 2010. The proposed rate credit of 0.298¢ is 0.230¢ more than the existing rate credit of 0.068¢, which the new credit will replace. For a customer using 1,000 kilowatt-hours per month, implementing the new, higher rate credit would result in a monthly decrease of \$2.30, or 2.97%. The actual decrease will vary based on customer usage.

Page 2 of 2

The proposed rate credit will have no effect on Avista's net income. The proposed rate credit would result in a reduction to Washington electric revenue of approximately \$9.4 million. In addition to the proposed tariff and workpapers, also enclosed are the following items: 1) an affidavit, 2) a certificate of service, 3) a copy of the customer notice, and 4) a press release. Please direct any questions regarding this filing to Ron McKenzie at (509) 495-4320.

Sincerely,

A handwritten signature in cursive script that reads "Kelly Norwood".

Kelly Norwood  
Vice President State and Federal Regulation

RM  
Enclosures



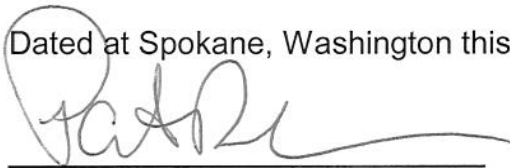
**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that I have served Avista Corporation's residential and small farm energy rate adjustment tariff filing, via overnight mail, to the following:

Sally Johnston  
Senior Assistant Attorney General  
PO Box 40128  
1400 S. Evergreen Park Dr. SW  
Olympia, WA 98504-0128

Mary Kimball  
Office of the Attorney General  
Public Counsel Section  
800 Fifth Avenue, Suite 2000  
Seattle, WA 98104-3188

Dated at Spokane, Washington this 30<sup>th</sup> day of June 2009.

A handwritten signature in black ink, appearing to read "Patrick Ehrbar", written over a horizontal line.

Patrick Ehrbar  
Senior Regulatory Analyst