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January 8, 2010

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

Attention: Mr. David Danner, Executive Director and Secretary

RE: Avista Corporation – Proposed Elimination of Energy Recovery Mechanism (ERM) Surcharge

**TARIFF WN-U28 Electric Service**

Attached for filing with the Commission is an electronic copy of the Company's proposed revisions to the following tariff sheet, proposed to be effective February 12, 2010:

7 <sup>th</sup> Revision Sheet 93	Canceling	6 <sup>th</sup> Revision Sheet 93
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Schedule 93 is designed to surcharge or rebate energy cost deferrals caused by differences between actual and authorized power costs. Schedule 93 currently contains surcharge rates that generate approximately \$32.4 million of annual revenue. Section (4)(f) of the Settlement Stipulation approved by the Commission's Fifth Supplemental Order in Docket No. UE-011595, dated June 18, 2002, provides that:

At the point in time when the Energy Cost Deferral Balance reaches zero, the Schedule 93 surcharge tariff will be eliminated and future rate adjustments related to the benefits or costs accruing to customers from the ERM shall be determined as follows: Deferrals shall be allowed to accumulate until a trigger of 10% of base retail revenues is reached.

The actual deferral balance authorized for recovery (Account 182350.ED.WA) is \$6.2 million at the end of December 2009. With the Schedule 93 surcharge rates being eliminated effective February 12, 2010, the deferral balance is projected to reach zero, or be a credit balance, at the end of February 2010. Any over-recovery that exists after elimination of the surcharge rates will accrue a carrying cost and be carried forward and credited towards future deferrals that are authorized to be recovered or rebated.

The overall decrease in electric rates/revenue is 7.2%. For a residential customer, the monthly bill for 1,000 kWhs will decrease by \$5.35, or 6.9%, from a bill of \$77.14 to \$71.79. Enclosed are workpapers showing the impact of the elimination of the ERM surcharge, and calculations pertaining to the deferral balance. The Company plans to issue a press release on Monday, January 11, 2010. Please direct any questions on this matter to Ron McKenzie at 509.495.4320.

Sincerely,

A handwritten signature in black ink that reads "Kelly Norwood". The signature is written in a cursive, flowing style.

Kelly Norwood  
Vice President, State & Federal Regulation  
Enclosures

c: See attached service list

## CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that I have served the attached tariff filing related to the proposed elimination of the Energy Recovery Mechanism (ERM) surcharge upon the persons and entities listed on the Service List below by electronic mail and mailing a copy thereof, postage prepaid to the following:

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I declare under penalty of perjury that the foregoing is true and correct.

Dated at Spokane, Washington this 8th day of January, 2010.



Patty Olsness  
Rates and Tariffs Coordinator