

Avista Corp.

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STATE OF WASHINGTON
UTILITY AND TRANSPORTATION
COMMISSION



Corp.

September 12, 2006

Ms. Carole J. Washburn, Executive Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Re: Docket No. UE-011595, Monthly Power Cost Deferral Report, August 2006

Dear Ms. Washburn:

Enclosed are an original and five copies of Avista Corporation's Power Cost Deferral Report for the month of August 2006. The report includes the monthly energy recovery mechanism (ERM) accounting journal together with backup workpapers. In August a deferral entry was made in the surcharge direction of \$1,728,220, which offset the rebate deferral balance at the end of July with net deferrals for 2006, excluding carrying costs, being zero at the end of August.

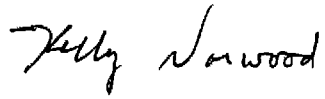
Actual power supply expenses were higher than authorized due primarily to lower hydro generation coupled with high wholesale power prices. Hydro generation was 105 aMW below the authorized level. The average market purchase price was \$62.13/MWh compared to an authorized rate of \$52.81/MWh. The average market sales price was \$60.67/MWh compared to an authorized sales price of \$55.61/MWh.

Due to economics, Coyote Springs 2 generated 75 aMW above the authorized level. Other gas-fired resources generated 6 aMW below the authorized level due to economics. Colstrip and Kettle Falls generated 11 aMW and 1 aMW above the authorized levels, respectively. Thermal fuel expense and natural gas fuel expense were both above the authorized level. Net transmission expense (transmission expense less transmission revenue) was below the authorized level. Washington retail sales were 13 aMW below the authorized level.

Enclosed is a forward long-term power contract that contains confidential, market-sensitive information. Avista and the counter-party to the agreement might be directly affected by disclosure of the confidential information. The first page of the contract and the pages containing confidential information have been marked with the designation "confidential per WAC 480-07-160." The unredacted version is being

filed under seal. Six copies of the unredacted version are being submitted in sealed envelopes, copied on yellow paper and identified as "Confidential Attachment A." Six copies of the redacted version are also being submitted. If you have any questions, please contact Bill Johnson at (509) 495-4046 or 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
Enclosure
C: Mary Kimball, S. Bradley Van Cleve