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RECORDS MANAGEMENT 

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Corp.

January 19, 2007

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

STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

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

Dear Ms. Washburn:

Enclosed are an original and five copies of Avista Corporation's Power Cost Deferral Report for the month of December 2006. The report includes the monthly energy recovery mechanism (ERM) accounting journal together with backup workpapers. In December no deferral entry was made and net deferrals for 2006, excluding carrying costs, were zero at the end of December. In December the deadband balance decreased from \$2,753,075 in the rebate direction at the beginning of the month to \$2,601,664 in the rebate direction at the end of the month.

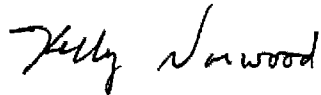
Actual power supply expense was close to the authorized level. Hydro generation was 70 aMW above the authorized level. The average market purchase price was \$55.332/MWh compared to an authorized rate of \$65.87/MWh. The average market sales price was \$56.71/MWh compared to an authorized sales price of \$64.62/MWh.

Coyote Springs 2 generated 6 aMW above the authorized level. Other gas-fired resources generated 1 aMW above the authorized level due to economics. Colstrip and Kettle Falls generated 9 aMW below and 1 aMW above the authorized levels, respectively. Net transmission expense (transmission expense less transmission revenue) was above the authorized level. Thermal and natural gas fuel expense was above the authorized level. Washington retail sales were 38 aMW above 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 black ink that reads "Kelly Norwood". The signature is written in a cursive style with a large initial "K".

Kelly Norwood
Vice President State and Federal Regulation
RM
Enclosure
C: Mary Kimball, S. Bradley Van Cleve

AVISTA CORPORATION
STATE OF WASHINGTON
DOCKET NO. UE-011595
POWER COST DEFERRAL REPORT

MONTH OF DECEMBER 2006

Avista Corporation Journal Entry

Effective Date: 200612

Journal: 481-WA ERM

Team: Resource Accounting

Last Saved by: Lori Hamilton

Last Saved: 01/05/2007 3:56 PM

Type: C

Submitted by: Lori Hamilton

Category: DJ

<u>Seq.</u>	<u>Co.#</u>	<u>FERC</u>	<u>Ser.</u>	<u>Jur.</u>	<u>S.I.</u>	<u>Debit</u>	<u>Credit</u>	<u>Comment</u>
10	001	557290 - WA ERM AMORTIZATION	ED	WA	DL	3,039,955.00		WA ERM surcharge amortization
20	001	182350 - REGULATORY ASSET ERM APPROVED FOR	ED	WA	DL		3,039,955.00	WA ERM authorized for recovery
30	001	557280 - DEFERRED POWER SUPPLY EXPENSE	ED	WA	DL	0.00		WA ERM current month deferral
40	001	186280 - REGULATORY ASSET ERM DEFERRED	ED	WA	DL		0.00	WA ERM current year deferral
50	001	182350 - REGULATORY ASSET ERM APPROVED FOR	ED	WA	DL	311,624.00		Accrue interest on deferral balance authorized for recovery
60	001	186280 - REGULATORY ASSET ERM DEFERRED	ED	WA	DL		204.00	Accrue interest on current year deferral balance
70	001	186290 - REGULATORY ASSET ERM DEFERRED LAST	ED	WA	DL	0.00		Accrue interest on previous year deferral balance
80	001	419600 - INTEREST ON ENERGY DEFERRALS	ED	WA	DL		311,420.00	Non-utility interest income
90	001	410100 - PRV DFIT DR	ED	WA	DL		1,063,984.00	DFIT entry for power supply deferral and surcharge amortization
100	001	410200 - DFIT EXP-NONOPER (DR)	ZZ	ZZ	DL	108,997.00		Non -op DFIT entry for interest income
110	001	283280 - ADFIT ERM	ED	WA	DL	954,987.00		ADFIT WA ERM current and prior years
120	001	186010 - REGULATORY ASSET ERM YTD COMPANY	ED	WA	DL	151,411.00		Track YTD company band accumulation
130	001	186020 - REGULATORY ASSET ERM YTD CONTRA	ED	WA	DL		151,411.00	Contra account for YTD company band accumulation
TOTALS:						4,566,974.00	4,566,974.00	

Avista Corporation Journal Entry

Effective Date: 200612

Journal: 481-WA ERM

Team: Resource Accounting

Type: C

Category: DJ

Last Saved by: Lori Hamilton

Last Saved: 01/05/2007 3:56 PM

Submitted by: Lori Hamilton

Explanation:

Record current month deferred power supply costs, interest, and DFIT per WA accounting order.

Lori Hamilton

Prepared by Lori Hamilton

Jami Guds
Reviewed by

1/8/07
Date

1/8/07
Date

Approved for Entry
Corporate Accounting use Only

Date

Balance Type **Actual**

Currency Type **Entered**

Factor **Units**



Period	Currency	PTD	PTD Converted	YTD	YTD Converted
200601	USD	4,138,618.00		0.00	
200602	USD	0.00		0.00	
200603	USD	0.00		0.00	
200604	USD	0.00		0.00	
200605	USD	-1,831,779.00		-1,831,779.00	
200606	USD	-2,956,443.00		-4,788,222.00	
200607	USD	3,005,589.00		-1,782,633.00	
200608	USD	1,715,203.00		-67,430.00	
200609	USD	-204.00		-67,634.00	
200610	USD	-204.00		-67,838.00	
200611	USD	-204.00		-68,042.00	
200612	USD	-204.00		-68,246.00	

Journal Details

Summary Balances

ERM Deferral Balance (Current Year - 2006)

Account 186280.ED.WA

	<u>Amount</u>	<u>Journal ID</u>
Balance 11/30/06	-\$68,042.00	
Deferral	0.00	481 - WA ERM
Interest	-204.00	481 - WA ERM
Balance 12/31/06	<u><u>-\$68,246.00</u></u>	

Year to date deferrals	\$0.00
Year to date interest	<u>-68,246.00</u>
Balance in account	<u><u>-\$68,246.00</u></u>

Balance Type **Actual**

Currency Type **Entered**

Factor **Units**



Period	Currency	PTD	PTD Converted	YTD	YTD Converted
200601	USD	4,156,776.00		4,156,776.00	
200602	USD	18,158.00		4,174,934.00	
200603	USD	18,158.00		4,193,092.00	
200604	USD	18,158.00		4,211,250.00	
200605	USD	18,158.00		4,229,408.00	
200606	USD	4,229,408.00		0.00	
200607	USD	0.00		0.00	
200608	USD	0.00		0.00	
200609	USD	0.00		0.00	
200610	USD	0.00		0.00	
200611	USD	0.00		0.00	
200612	USD	0.00		0.00	

Journal Details

Summary Balances

ERM Deferral Balance (Prior year - 2005)

Account 186290.ED.WA

Balance 11/30/06
 No current month activity
 Balance 12/31/06

<u>Amount</u>	<u>Journal ID</u>
\$0.00	
0.00	481 - WA ERM
<u>\$0.00</u>	

Balance Type **Actual**

Currency Type **Entered**

Factor **Units**



Period	Currency	PTD	PTD Converted	YTD	YTD Converted
200601	USD	-2,464,349.00		89,587,845.65	
200602	USD	-2,426,654.00		87,161,191.65	
200603	USD	-2,360,123.00		84,801,068.65	
200604	USD	-2,050,571.00		82,750,497.65	
200605	USD	-1,832,184.00		80,918,313.65	
200606	USD	2,394,441.00		83,312,754.65	
200607	USD	-1,921,938.00		81,390,816.65	
200608	USD	-2,154,096.00		79,236,720.65	
200609	USD	-2,214,765.00		77,021,955.65	
200610	USD	-1,986,644.00		75,035,311.65	
200611	USD	-2,079,746.00		72,955,565.65	
200612	USD	-2,728,331.00		70,227,234.65	

Journal Details

Summary Balances

Recoverable Deferral Balance

Account 182350.ED.WA

Balance 11/30/06

Amortization

Interest

Balance 12/31/06

Amount

Journal ID

\$72,955,565.65

-3,039,955.00 481 - WA ERM

311,624.00 481 - WA ERM

\$70,227,234.65

Detail Balances (AVA CORP) - 001-182360.ED.WA.DL

Balance Type **Actual**

Currency Type **Entered**

Factor **Units**

Period	Currency	PTD	PTD Converted	YTD	YTD Converted
200601	USD	-27,868.00		314,733.00	
200602	USD	-27,990.00		286,743.00	
200603	USD	-28,113.00		258,630.00	
200604	USD	-28,237.00		230,393.00	
200605	USD	-28,360.00		202,033.00	
200606	USD	-28,485.00		173,548.00	
200607	USD	-28,603.00		144,945.00	
200608	USD	-28,731.00		116,214.00	
200609	USD	-28,859.00		87,355.00	
200610	USD	-28,988.00		58,367.00	
200611	USD	-29,118.00		29,249.00	
200612	USD	-29,249.00		0.00	

Journal Details

Summary Balances

Contract Buyout Deferral Balance

Account 182360.ED.WA

	Amount	Journal ID
Balance 11/30/06	\$29,249.00	
Amortization*	-29,313.00	485 - ECB AMORT
Interest	64.00	485 - ECB AMORT
Balance 12/31/06	<u>\$0.00</u>	

*Amount grossed-up from 90% to 100% for ERM deferral calculations

\$32,570

Balance Type **Actual**

Currency Type **Entered**

Factor **Units**



Period	Currency	PTD	PTD Converted	YTD	YTD Converted
200601	USD	-11,902,131.00		-2,902,131.00	
200602	USD	432,476.00		-2,469,655.00	
200603	USD	-2,743,056.00		-5,212,711.00	
200604	USD	-3,172,065.00		-8,384,776.00	
200605	USD	-615,224.00		-9,000,000.00	
200606	USD	1,805,726.00		-7,194,274.00	
200607	USD	1,466,054.00		-5,728,220.00	
200608	USD	3,984,073.00		-1,744,147.00	
200609	USD	-1,662,552.00		-3,406,699.00	
200610	USD	1,476,518.00		-1,930,181.00	
200611	USD	-822,894.00		-2,753,075.00	
200612	USD	151,411.00		-2,601,664.00	

Journal Details

Summary Balances

ERM Deadband plus Amounts Absorbed

Account 186010.ED.WA

	Amount	Journal ID
Balance 11/30/06	-\$2,753,075.00	
Current month entry	151,411.00	481 - WA ERM
Balance 12/31/06	<u>-\$2,601,664.00</u>	

	Total	Absorbed	Deferred
First \$4,000,000 at 100%	-\$2,601,664.00	-\$2,601,664.00	\$0.00
\$4,000,000 to \$10,000,000 at 50%	0.00	0.00	0.00
Over \$10,000,000 at 10%	0.00	0.00	0.00
Total	<u>-\$2,601,664.00</u>	<u>-\$2,601,664.00</u>	<u>\$0.00</u>

Balance Type **Actual**

Currency Type **Entered**

Factor **Units**



Period	Currency	PTD	PTD Converted	YTD	YTD Converted
200601	USD	11,902,131.00		2,902,131.00	
200602	USD	-432,476.00		2,469,655.00	
200603	USD	2,743,056.00		5,212,711.00	
200604	USD	3,172,065.00		8,384,776.00	
200605	USD	615,224.00		9,000,000.00	
200606	USD	-1,805,726.00		7,194,274.00	
200607	USD	-1,466,054.00		5,728,220.00	
200608	USD	-3,984,073.00		1,744,147.00	
200609	USD	1,662,552.00		3,406,699.00	
200610	USD	-1,476,518.00		1,930,181.00	
200611	USD	822,894.00		2,753,075.00	
200612	USD	-151,411.00		2,601,664.00	

Journal Details

Summary Balances

ERM Deadband Contra Account

Account 186020.ED.WA

Balance 11/30/06
 Current month entry
 Balance 12/31/06

<u>Amount</u>	<u>Journal ID</u>
\$2,753,075.00	
-151,411.00	481 - WA ERM
<u>\$2,601,664.00</u>	

Balance Type **Actual**

Currency Type **Entered**

Factor **Units**



Period	Currency	PTD	PTD Converted	YTD	YTD Converted
200601	USD	856,168.00		-32,810,616.00	
200602	USD	842,974.00		-31,967,642.00	
200603	USD	819,688.00		-31,147,954.00	
200604	USD	711,345.00		-30,436,609.00	
200605	USD	1,276,032.00		-29,160,577.00	
200606	USD	1,676,991.00		-27,483,586.00	
200607	USD	-379,277.00		-27,862,863.00	
200608	USD	153,613.00		-27,709,250.00	
200609	USD	775,239.00		-26,934,011.00	
200610	USD	695,396.00		-26,238,615.00	
200611	USD	727,982.00		-25,510,633.00	
200612	USD	954,987.00		-24,555,646.00	

Journal Details

Summary Balances

DFIT Associated with ERM Deferrals

Account 283280.ED.WA

Account 186280.ED.WA balance	-\$68,246.00
Account 186290.ED.WA balance	0.00
Account 182350.ED.WA balance	70,227,234.65
Total	<u>\$70,158,988.65</u>
Federal income tax rate	-35%
Deferred FIT related to deferrals	<u>-\$24,555,646</u>
Rounding	0
Balance in account	<u><u>-\$24,555,646</u></u>

Balance Type **Actual**

Currency Type **Entered**

Factor **Units**



Period	Currency	PTD	PTD Converted	YTD	YTD Converted
200601	USD	9,753.00		-110,157.00	
200602	USD	9,796.00		-100,361.00	
200603	USD	9,839.00		-90,522.00	
200604	USD	9,882.00		-80,640.00	
200605	USD	9,926.00		-70,714.00	
200606	USD	9,969.00		-60,745.00	
200607	USD	10,011.00		-50,734.00	
200608	USD	10,056.00		-40,678.00	
200609	USD	10,101.00		-30,577.00	
200610	USD	10,146.00		-20,431.00	
200611	USD	10,192.00		-10,239.00	
200612	USD	10,239.00		0.00	

Journal Details

Summary Balances

DFIT Associated with Contract Buyout Deferral
Account 283360.ED.WA

Account 182360.ED.WA balance	\$0.00
Federal income tax rate	-35%
Deferred FIT related to contract buyout deferral	\$0
Rounding	0
Balance in account	\$0

Changes Semiannually on January 1 and July 1 Beginning 7/1/02						
The rate is based on Avista's actual cost of debt, updated semiannually.						
The actual cost of debt calculated at 6/30 will be used for the interest calculation from July through December.						
The actual cost of debt calculated at 12/31 will be used for the interest calculation from January through June.						
Interest will be accrued monthly and compounded semi-annually.						
Interest is calculated using the prior month ending balance plus 1/2 month of current month charges times the current after tax interest rate						
Actual cost of debt at 12/31/05 is 8.10%--			Actual cost of debt at 6/30/06 is 8.253%			
The monthly rate is:			0.00675 Before Tax		The monthly rate is: 0.00687750 Before Tax	
			0.0043875 After Tax		0.0044704 After Tax	
			0.35 Tax rate		0.35 Tax rate	
Account 182350			2006 Interest			
12-31-2005	GL Balance including interest	92,052,195		Jan-06	DFIT Expense	ADFIT
Jan-06	Surcharge Amortization	(2,861,950)		Amortization	(1,001,683)	Operating 1,001,683
Jan-06	Interest		397,601	Interest	139,160	Nonoperating (139,160)
01-31-2006	Balance before interest	89,190,245			(862,523)	Total 862,523
				Feb-06	DFIT Expense	ADFIT
Feb-06	Surcharge Amortization	(2,811,808)		Amortization	(984,133)	Operating 984,133
Feb-06	Interest		385,154	Interest	134,804	Nonoperating (134,804)
02-28-2006	Balance before interest	86,378,437			(849,329)	Total 849,329
				Mar-06	DFIT Expense	ADFIT
Mar-06	Surcharge Amortization	(2,733,113)		Amortization	(956,590)	Operating 956,590
Mar-06	Interest		372,990	Interest	130,547	Nonoperating (130,547)
03-31-2006	Balance before interest	83,645,324			(826,043)	Total 826,043
				Apr-06	DFIT Expense	ADFIT
Apr-06	Surcharge Amortization	(2,412,273)		Amortization	(844,296)	Operating 844,296
Apr-06	Interest		361,702	Interest	126,596	Nonoperating (126,596)
04-30-2006	Balance before interest	81,233,051			(717,700)	Total 717,700
				May-06	DFIT Expense	ADFIT
May-06	Surcharge Amortization	(2,183,803)		Amortization	(764,331)	Operating 764,331
May-06	Interest		351,619	Interest	123,067	Nonoperating (123,067)
05-31-2006	Balance before interest	79,049,248			(641,264)	Total 641,264
				Jun-06	DFIT Expense	ADFIT
Jun-06	Surcharge Amortization	(2,195,138)		Amortization	(768,298)	Operating 768,298
Jun-06	Interest		342,013	Interest	119,705	Nonoperating (119,705)
06-30-2006	Balance before interest	76,854,110			(648,593)	Total 648,593
06-30-2006	Transfer from 186290	4,247,566				
06-30-2006	GL Balance including interest	83,312,755		Jul-06	DFIT Expense	ADFIT
Jul-06	Surcharge Amortization	(2,289,262)		Amortization	(801,242)	Operating 801,242
Jul-06	Interest		367,324	Interest	128,563	Nonoperating (128,563)
07-31-2006	Balance before interest	81,023,493			(672,679)	Total 672,679
				Aug-06	DFIT Expense	ADFIT
Aug-06	Surcharge Amortization	(2,510,692)		Amortization	(878,742)	Operating 878,742
Aug-06	Interest		356,596	Interest	124,809	Nonoperating (124,809)
08-31-2006	Balance before interest	78,512,801			(753,933)	Total 753,933
				Sep-06	DFIT Expense	ADFIT
Sep-06	Surcharge Amortization	(2,560,026)		Amortization	(896,009)	Operating 896,009
Sep-06	Interest		345,261	Interest	120,841	Nonoperating (120,841)
09-30-2006	Balance before interest	75,952,775			(775,168)	Total 775,168
				Oct-06	DFIT Expense	ADFIT
Oct-06	Surcharge Amortization	(2,320,995)		Amortization	(812,348)	Operating 812,348
Oct-06	Interest		334,351	Interest	117,023	Nonoperating (117,023)
10-31-2006	Balance before interest	73,631,780			(695,325)	Total 695,325
				Nov-06	DFIT Expense	ADFIT
Nov-06	Surcharge Amortization	(2,403,537)		Amortization	(841,238)	Operating 841,238
Nov-06	Interest		323,791	Interest	113,327	Nonoperating (113,327)
11-30-2006	Balance before interest	71,228,243			(727,911)	Total 727,911
				Dec-06	DFIT Expense	ADFIT
Dec-06	Surcharge Amortization	(3,039,955)		Amortization	(1,063,984)	Operating 1,063,984
Dec-06	Interest		311,624	Interest	109,068	Nonoperating (109,068)
12-31-2006	Balance before interest	68,188,288			(954,916)	Total 954,916
				GL Balance	Activity	GL Balance
				11-30-2006	Dec-06	12-31-2006
	Net ERM Balance	70,227,235		72,955,566	(2,728,331)	70,227,235
	ADFIT Balance	(24,579,532)				

Changes Semiannually on January 1 and July 1 Beginning 7/1/02					
The rate is based on Avista's actual cost of debt, updated semiannually.					
The actual cost of debt calculated at 6/30 will be used for the interest calculation from July through December.					
The actual cost of debt calculated at 12/31 will be used for the interest calculation from January through June.					
Interest will be accrued monthly and compounded semi-annually.					
Interest is calculated using the prior month ending balance plus 1/2 month of current month charges times the current after tax interest rate					
Actual cost of debt at 12/31/05 is 8.10%--			Actual cost of debt at 6/30/06 is 8.253%		
The monthly rate is:			The monthly rate is:		
	0.00675	Before Tax		0.00687750	Before Tax
	0.0043875	After Tax		0.0044704	After Tax
	0.35	Tax rate		0.35	Tax rate
Account 186280		2006 Interest			
12-31-2005	GL Balance including interest	\$4,138,618.00			
01-01-2006	GL Balance	(\$4,138,618.00)	Transfer to 186290		
01-01-2006	GL Balance	0			
				Jan-06	DFIT Expense
Jan-06	ERM Deferral	0	Deferral	0	Operating 0
Jan-06	Interest	0	Interest	0	Nonoperating 0
01-31-2006	Balance before interest	0		0	Total 0
				Feb-06	DFIT Expense
Feb-06	ERM Deferral	0	Deferral	0	Operating 0
Feb-06	Interest	0	Interest	0	Nonoperating 0
02-28-2006	Balance before interest	0		0	Total 0
				Mar-06	DFIT Expense
Mar-06	ERM Deferral	(577,437)	Deferral	(202,103)	Operating 202,103
Mar-06	Interest		(1,267)	(443)	Nonoperating 443
03-31-2006	Balance before interest	(577,437)		(202,546)	Total 202,546
				Apr-06	DFIT Expense
Apr-06	ERM Deferral	(1,545,747)	Deferral	(541,011)	Operating 541,011
Apr-06	Interest		(5,924)	(2,073)	Nonoperating 2,073
04-30-2006	Balance before interest	(2,123,184)		(543,084)	Total 543,084
				May-06	DFIT Expense
May-06	ERM Deferral	(1,863,923)	Deferral	(652,373)	Operating 652,373
May-06	Interest		(13,404)	(4,691)	Nonoperating 4,691
05-31-2006	Balance before interest	(3,987,107)		(657,064)	Total 657,064
				Jun-06	DFIT Expense
Jun-06	ERM Deferral	(761,356)	Deferral	(266,475)	Operating 266,475
Jun-06	Interest		(19,164)	(6,707)	Nonoperating 6,707
06-30-2006	Balance before interest	(4,748,463)		(273,182)	Total 273,182
				Jul-06	DFIT Expense
Jul-06	ERM Deferral	3,020,243	Deferral	1,057,085	Operating (1,057,085)
Jul-06	Interest		(14,654)	(5,129)	Nonoperating 5,129
07-31-2006	Balance before interest	(1,767,979)		1,051,956	Total (1,051,956)
				Aug-06	DFIT Expense
04-30-2006	Adjustment to deferral balance	(360,862)	Deferral	(126,302)	Operating 126,302
06-30-2006	Adjustment to YTD interest		(5,859)	(2,051)	Nonoperating 2,051
07-31-2006	Restated balance before interest	(2,134,700)			
07-31-2006	Adjustment to July interest		(2,285)	(800)	Nonoperating 800
Aug-06	ERM Deferral	2,089,082	Deferral	731,179	Operating (731,179)
Aug-06	Interest		(4,873)	(1,706)	Nonoperating 1,706
08-31-2006	Balance before interest	(45,618)		600,320	Total (600,320)
				Sep-06	DFIT Expense
Sep-06	ERM Deferral	0	Deferral	0	Operating 0
Sep-06	Interest		(204)	(71)	Nonoperating 71
09-30-2006	Balance before interest	(45,618)		(71)	Total 71
				Oct-06	DFIT Expense
Oct-06	ERM Deferral	0	Deferral	0	Operating 0
Oct-06	Interest		(204)	(71)	Nonoperating 71
10-31-2006	Balance before interest	(45,618)		(71)	Total 71
				Nov-06	DFIT Expense
Nov-06	ERM Deferral	0	Deferral	0	Operating 0
Nov-06	Interest		(204)	(71)	Nonoperating 71
11-30-2006	Balance before interest	(45,618)		(71)	Total 71
				Dec-06	DFIT Expense
Dec-06	ERM Deferral	0	Deferral	0	Operating 0
Dec-06	Interest		(204)	(71)	Nonoperating 71
12-31-2006	Balance before interest	(45,618)		(71)	Total 71
				GL Balance	Activity
				11-30-06	Dec-06
				(68,042)	(204)
					(68,246)
				GL Balance	12-31-06
					(68,246)
				ADFIT Balance	23,886

Changes Semiannually on January 1 and July 1 Beginning 7/1/02
 The rate is based on Avista's actual cost of debt, updated semiannually.
 The actual cost of debt calculated at 6/30 will be used for the interest calculation from July through December.
 The actual cost of debt calculated at 12/31 will be used for the interest calculation from January through June.
 Interest will be accrued monthly and compounded semi-annually.
 Interest is calculated using the prior month ending balance plus 1/2 month of current month charges times the current after tax interest rate

Actual cost of debt at 12/31/05 is 8.10% The monthly rate is:	0.00675 Before Tax 0.0043875 After Tax 0.35 Tax rate	Actual cost of debt at 6/30/06 is 8.253% The monthly rate is:	0.00687750 Before Tax 0.0044704 After Tax 0.35 Tax rate
--	--	--	---

Account 186290		2006 Interest			
12-31-2005	GL Balance including interest	0			
01-31-2006	Transfer from 186280	\$4,138,618			
01-31-2006	GL Balance including interest	\$4,138,618			
			<u>Jan-06</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
Jan-06	Interest		18,158	Interest	6,355 Nonoperating (6,355)
01-31-2006	Balance before interest	4,138,618		6,355	Total (6,355)
				<u>Feb-06</u>	<u>DFIT Expense</u>
					<u>ADFIT</u>
Feb-06	Interest		18,158	Interest	6,355 Nonoperating (6,355)
02-28-2006	Balance before interest	4,138,618		6,355	Total (6,355)
				<u>Mar-06</u>	<u>DFIT Expense</u>
					<u>ADFIT</u>
Mar-06	ERM Transfer to 182350	0		Deferral	0 Operating 0
Mar-06	Interest		18,158	Interest	6,355 Nonoperating (6,355)
03-31-2006	Balance before interest	4,138,618		6,355	Total (6,355)
				<u>Apr-06</u>	<u>DFIT Expense</u>
					<u>ADFIT</u>
Apr-06	ERM Transfer to 18235	0		Deferral	0 Operating 0
Apr-06	Interest		18,158	Interest	6,355 Nonoperating (6,355)
04-30-2006	Balance before interest	4,138,618		6,355	Total (6,355)
				<u>May-06</u>	<u>DFIT Expense</u>
					<u>ADFIT</u>
May-06	ERM Transfer to 18235	0		Deferral	0 Operating 0
May-06	Interest		18,158	Interest	6,355 Nonoperating (6,355)
05-31-2006	Balance before interest	4,138,618		6,355	Total (6,355)
				<u>Jun-06</u>	<u>DFIT Expense</u>
					<u>ADFIT</u>
Jun-06	ERM Transfer to 18235	0		Deferral	0 Operating 0
Jun-06	Interest		18,158	Interest	6,355 Nonoperating (6,355)
06-30-2006	Balance before interest	4,138,618		6,355	Total (6,355)
06-30-2006	GL Balance including interest	4,247,566			
06-30-2006	ERM Transfer to 182350	(4,247,566)			
				<u>Jun-06</u>	<u>DFIT Expense</u>
					<u>ADFIT</u>
Jul-06	Interest		0	Interest	0 Nonoperating 0
07-31-2006	Balance before interest	0		0	Total 0
				<u>Aug-06</u>	<u>DFIT Expense</u>
					<u>ADFIT</u>
Aug-06	ERM Transfer to 182350			Deferral	0 Operating 0
Aug-06	Interest		0	Interest	0 Nonoperating 0
08-31-2006	Balance before interest	0		0	Total 0
				<u>Sep-06</u>	<u>DFIT Expense</u>
					<u>ADFIT</u>
Sep-06	ERM Transfer to 182350	0		Deferral	0 Operating 0
Sep-06	Interest		0	Interest	0 Nonoperating 0
09-30-2006	Balance before interest	0		0	Total 0
				<u>Oct-06</u>	<u>DFIT Expense</u>
					<u>ADFIT</u>
Oct-06	ERM Transfer to 18235	0		Deferral	0 Operating 0
Oct-06	Interest		0	Interest	0 Nonoperating 0
10-31-2006	Balance before interest	0		0	Total 0
				<u>Nov-06</u>	<u>DFIT Expense</u>
					<u>ADFIT</u>
Nov-06	ERM Transfer to 18235	0		Deferral	0 Operating 0
Nov-06	Interest		0	Interest	0 Nonoperating 0
11-30-2006	Balance before interest	0		0	Total 0
				<u>Dec-06</u>	<u>DFIT Expense</u>
					<u>ADFIT</u>
Dec-06	ERM Transfer to 18235	0		Deferral	0 Operating 0
Dec-06	Interest		0	Interest	0 Nonoperating 0
12-31-2006	Balance before interest	0		0	Total 0
	Net ERM Balance	0		GL Balance	Activity
				11-30-06	Dec-06
	ADFIT Balance	0		0	0
					12-31-06
					0
	6/28/06 - WUTC deemed 2005 deferred power costs prudent. Reclass to 182350 after interest calculation.				

Tax Rate	35%	DJ481 LTD	DJ481 LTD	DJ481 LTD			DJ481 CURMO	
	283280	283280	283280	283280			283280	283280
DJ481	BEGINNING	ADFIT	ADFIT	ADFIT			BALANCE	FOR ALL
	BALANCE	182350	186280	186290			COMPONENTS	ACCOUNTS
								BALANCE
06-30-2006	(29,160,577)	(27,672,816)	1,675,878	(1,486,648)			(27,483,586)	1,676,991
07-31-2006	(27,483,586)	(28,486,786)	623,922	0			(27,862,864)	(379,278)
08-31-2006	(27,862,863)	(27,732,852)	23,601	0			(27,709,251)	153,612
09-30-2006	(27,709,250)	(26,957,685)	23,672	0			(26,934,013)	775,237
10-31-2006	(26,934,011)	(26,262,359)	23,743	0			(26,238,616)	695,395
11-30-2006	(26,238,615)	(25,534,448)	23,815	0			(25,510,633)	727,982
12-31-2006	(25,510,633)	(24,579,532)	23,866	0			(24,555,666)	954,967
			ADFIT				Interest	
		410100	410200	283280			182350	186280
								186290
01-31-2006	182350	(1,001,683)	139,160	862,523		397,601	0	18,158
	186280	0	0	0				
	186290	0	6,355	(6,355)				
Total		(1,001,683)	145,515	856,168				
02-28-2006	182350	(984,133)	134,804	849,329		385,154	0	18,158
	186280	0	0	0				
	186290	0	6,355	(6,355)				
Total		(984,133)	141,159	842,974				
03-31-2006	182350	(956,590)	130,547	826,043		372,990	(1,267)	18,158
	186280	(202,103)	(443)	202,546				
	186290	0	6,355	(6,355)				
Total		(1,158,693)	136,459	1,022,234				
04-30-2006	182350	(844,296)	126,596	717,700		361,702	(5,924)	18,158
	186280	(541,011)	(2,073)	543,084				
	186290	0	6,355	(6,355)				
Total		(1,385,307)	130,878	1,254,429				
05-31-2006	182350	(764,331)	123,067	641,264		351,619	(13,404)	18,158
	186280	(652,373)	(4,691)	657,064				
	186290	0	6,355	(6,355)				
Total		(1,416,704)	124,731	1,291,973				
06-30-2006	182350	(768,298)	119,705	648,593		342,013	(19,164)	18,158
	186280	(266,475)	(6,707)	273,182				
	186290	0	6,355	(6,355)				
Total		(1,034,773)	119,353	915,420				
07-31-2006	182350	(801,242)	128,563	672,679		367,324	(14,654)	0
	186280	1,057,085	(5,129)	(1,051,956)				
	186290	0	0	0				
Total		255,843	123,434	(379,277)				
08-31-2006	182350	(878,742)	124,809	753,933		356,596	(13,017)	0
	186280	604,877	(4,557)	(600,320)				
	186290	0	0	0				
Total		(273,865)	120,252	153,613				
09-30-2006	182350	(896,009)	120,841	775,168		345,261	(204)	0
	186280	0	(71)	71				
	186290	0	0	0				
Total		(896,009)	120,770	775,239				
10-31-2006	182350	(812,348)	117,023	695,325		334,351	(204)	0
	186280	0	(71)	71				
	186290	0	0	0				
Total		(812,348)	116,952	695,396				
11-30-2006	182350	(841,238)	113,327	727,911		323,791	(204)	0
	186280	0	(71)	71				
	186290	0	0	0				
Total		(841,238)	113,256	727,982				
12-31-2006	182350	(1,063,984)	109,068	954,916		311,624	(204)	0
	186280	0	(71)	71				
	186290	0	0	0				
Total		(1,063,984)	108,997	954,987				
Recon:	Total interest 2006		4,290,728					
	Calc non op DFIT 2006		1,501,755					
	Total 410200 2006		1,501,756					

AVISTA CORPORATION
 DECEMBER 2006 WASHINGTON ELECTRIC SURCHARGE REVENUE & DEFERRAL AMORTIZATION

Schedule	Sch 1 Block	Percent (b)	kWh or \$ (c)	Proration Percentages		Surcharge Rates		Current Month Surcharge Revenue Rate		Conversion Factor (k)	Deferral Amortization (l)	Deferral Amortization (j)*(k)
				Before 1-Jan-06 (d)	On/After 1-Jan-06 (e)	Before 1-Jan-06 (f)	On/After 1-Jan-06 (g)	Rate Before 1-Jan-06 (h)	Rate On/After 1-Jan-06 (i)			
1 (0-600 kWh)		42.411%	108,633,049	0.00%	100.00%	0.405¢	0.446¢	\$0	\$484,503	0.956325	\$463,342	
1 (601-1300 kWh)		31.153%	79,796,406	0.00%	100.00%	0.607¢	0.668¢	0	533,040	0.956325	509,759	
1 (over 1300 kWh)		26.436%	67,714,113	0.00%	100.00%	0.853¢	0.938¢	0	635,158	0.956325	607,417	
Total Sch 1		100.000%	256,143,568					0	1,652,701		1,580,518	
11			35,344,176	0.00%	100.00%	0.788¢	0.867¢	0	306,434	0.956325	293,050	
12			4,587,770	0.00%	100.00%	0.788¢	0.867¢	0	39,776	0.956325	38,039	
21			123,849,922	0.00%	100.00%	0.549¢	0.604¢	0	748,054	0.956325	715,383	
22			3,466,194	0.00%	100.00%	0.549¢	0.604¢	0	20,936	0.956325	20,022	
25			90,174,602	0.00%	100.00%	0.352¢	0.387¢	0	348,976	0.956325	333,734	
30			25,120	0.00%	100.00%	0.485¢	0.534¢	0	134	0.956325	128	
31			3,342,245	0.00%	100.00%	0.485¢	0.534¢	0	17,848	0.956325	17,068	
32			225,589	0.00%	100.00%	0.485¢	0.534¢	0	1,205	0.956325	1,152	
41-46			\$292,829	0.00%	100.00%	109.78%	110.76%	0	28,447	0.956325	27,205	
47			\$87,571	0.00%	100.00%	109.78%	110.76%	0	8,507	0.956325	8,135	
48			\$59,426	0.00%	100.00%	109.78%	110.76%	0	5,773	0.956325	5,521	
Schedule Totals			517,159,186					\$0	\$3,178,791		\$3,178,791	
kWh not subject to surcharge												
Schedule 28, 63			11,223									
Sch 41-48			2,209,367									
Total kWh			519,379,776									
											\$3,039,955	Amortization
												-35%
												(\$1,063,984) DFIT Expense

Electric Revenue Report by Revenue Class
Current Month and Year-to-Date
 for Accounting Period : 200612 , State Code : WA

Accounting Period: 200612 | State Code: WA

Rate Schedule Num	Meters	Usage	Revenue Amt	YTD Average Meters	Ytd Usage	Ytd Revenue Amt
001	195,719	256,143,568	16,145,195	193,060	2,332,184,121	146,050,707
011	18,901	35,344,176	3,246,279	18,652	365,154,315	33,737,902
012	7,339	4,587,770	425,239	7,158	42,178,482	4,043,433
021	3,224	123,849,922	8,625,061	3,230	1,542,246,251	107,092,380
022	73	3,466,194	218,686	74	35,639,672	2,298,351
025	21	90,174,602	4,119,513	21	944,441,577	43,105,281
028	1	10,020	16,590	1	285,530	209,216
030	39	25,120	1,571	39	22,158,240	1,190,123
031	1,053	3,342,245	217,530	1,046	93,424,628	5,807,385
032	1,117	225,589	20,152	1,096	9,858,790	656,720
041	11	8,720	1,520	11	104,640	18,126
042	241	1,088,111	269,828	237	12,948,163	3,188,021
044	14	22,267	2,135	14	264,322	25,099
045	6	90,167	5,124	6	1,083,669	61,433
046	16	185,165	14,222	16	2,218,450	169,325
047	0	503,016	87,571	0	5,958,860	1,041,926
048	0	311,921	59,426	0	3,746,143	712,377
058	0	0	1,178,388	0	0	12,292,297
058A	0	0	-7,888	0	0	-76,595

Electric Revenue Report by Revenue Class
Current Month and Year-to-Date
 for Accounting Period : 200612 , State Code : WA

Accounting Period: 200612 | State Code: WA

	Meters	Usage	Revenue Amt	YTD Average Meters	Ytd Usage	Ytd Revenue Amt
063	4	1,203	0	1	2,356	0
090	0	0	4	0	0	48
095	0	0	11,854	0	0	136,186
099	0	0	48,220	0	0	603,623
Total WA	227,779	519,379,776	34,706,220	224,661	5,413,898,209	362,363,364
Total WA	227,779	519,379,776	34,706,220	224,661	5,413,898,209	362,363,364

Avista Utilities
WASHINGTON POWER COST DEFERRALS

Line No. 2006 WA & ID Actual Deferrals.xls/WA summary
WASHINGTON ACTUALS-2006

	Actual Jan-06	Actual Feb-06	Actual Mar-06	Actual Apr-06	Actual May-06	Actual Jun-06	Actual Jul-06	Actual Aug-06	Actual Sep-06	Actual Oct-06	Actual Nov-06	Actual Dec-06
1 555 Purchased Power	\$20,639,556	\$17,910,644	\$23,505,825	\$13,191,911	\$12,879,532	\$14,111,451	\$23,185,412	\$17,583,071	\$11,787,420	\$11,288,899	\$17,570,731	\$18,028,421
2 501 Thermal Fuel	\$2,066,414	\$2,346,267	\$2,087,116	\$1,417,995	\$1,218,808	\$954,497	\$2,235,744	\$3,034,176	\$2,180,179	\$2,534,794	\$1,917,987	\$2,193,828
3 547 CT Fuel	\$4,081,840	\$6,063,627	\$8,682,070	\$566,800	\$1,039,557	\$2,516,462	\$9,342,220	\$10,004,415	\$10,312,077	\$11,562,548	\$8,787,625	\$12,576,403
4 447 Sale for Resale	\$(14,135,065)	\$(15,563,340)	\$(26,417,894)	\$(14,606,723)	\$(17,702,240)	\$(16,945,256)	\$(18,645,337)	\$(6,793,473)	\$(6,474,627)	\$(5,981,196)	\$(16,457,722)	\$(13,849,923)
5 Actual Net Expense	\$135,893,726	\$10,757,198	\$7,857,317	\$569,983	\$(2,564,343)	\$637,154	\$16,118,039	\$21,828,189	\$17,805,049	\$19,405,045	\$11,818,621	\$18,948,729
6 456100 Transmission Revenue	\$(10,541,137)	\$(605,537)	\$(995,296)	\$(686,810)	\$(987,177)	\$(1,501,608)	\$(1,036,900)	\$(1,071,042)	\$(876,162)	\$(845,172)	\$(689,610)	\$(659,111)
7 565 Transmission Expense	\$1,861,366	\$914,470	\$916,606	\$909,246	\$867,053	\$953,460	\$1,042,755	\$1,050,803	\$1,057,903	\$1,064,764	\$1,052,897	\$1,127,216
8 557170 Broker Fees	\$92,498	\$8,757	\$7,440	\$14,679	\$6,308	\$6,066	\$13,453	\$6,195	\$4,372	\$3,077	\$4,972	\$6,536
9 Less Pollatch 62 aMW directly to ID	\$(21,029,213)	\$(1,648,428)	\$(1,861,698)	\$(1,504,346)	\$(1,938,096)	\$(1,089,696)	\$(1,999,514)	\$(1,976,681)	\$(1,796,073)	\$(1,882,729)	\$(1,772,510)	\$(1,704,611)
10 Adjusted Actual Net Expense	\$116,237,240	\$9,428,346	\$5,924,369	\$(697,248)	\$(4,616,255)	\$(994,624)	\$14,137,833	\$19,837,464	\$16,195,089	\$17,444,985	\$10,414,370	\$17,718,759

AUTHORIZED NET EXPENSE-SYSTEM

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
11 555 Purchased Power	\$78,312,672	\$7,844,080	\$5,646,977	\$5,167,798	\$3,919,404	\$3,947,698	\$4,611,314	\$6,114,915	\$7,038,560	\$6,475,870	\$6,922,984	\$9,429,894
12 501 Thermal Fuel	\$18,966,459	\$1,498,204	\$1,704,104	\$1,638,517	\$1,295,688	\$1,037,197	\$1,667,775	\$1,714,511	\$1,660,059	\$1,715,380	\$1,660,551	\$1,714,075
13 547 CT Fuel	\$70,026,232	\$4,558,576	\$9,264,020	\$4,700,957	\$3,330,490	\$1,269,298	\$4,313,402	\$6,001,145	\$7,105,523	\$8,212,014	\$7,711,236	\$7,566,613
14 447 Sale for Resale	\$(62,059,914)	\$(3,322,097)	\$(6,706,383)	\$(8,805,375)	\$(10,402,116)	\$(7,569,805)	\$(6,457,020)	\$(3,368,084)	\$(1,492,368)	\$(2,440,168)	\$(5,554,272)	\$(3,350,298)
15 Settlement/Compliance Filing Adj.	\$(251,923)	\$(74,750)	\$(129,319)	\$(921,340)	\$(110,419)	\$(1,353,073)	\$(1,331,742)	\$(28,867)	\$1,162,101	\$855,509	\$(283,194)	\$266,894
16 456100 Transmission Revenue	\$(10,268,650)	\$(850,451)	\$(850,576)	\$(854,363)	\$(856,884)	\$(860,452)	\$(862,365)	\$(861,081)	\$(861,257)	\$(853,900)	\$(853,565)	\$(853,205)
17 565 Transmission Expense	\$13,307,162	\$1,132,836	\$1,097,845	\$1,091,385	\$1,084,823	\$1,096,602	\$1,107,276	\$1,095,400	\$1,091,132	\$1,164,092	\$1,117,299	\$1,122,262
18 557 Broker Fees	\$78,000	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500
19 565 Compliance Filing	\$(84,000)						\$(49,000)		\$(7,000)	\$(7,000)		\$(7,000)
20 Authorized Net Expense	\$108,026,038	\$16,598,741	\$10,033,168	\$3,866,759	\$(1,511,676)	\$(2,426,095)	\$3,006,140	\$10,667,439	\$15,703,250	\$15,128,297	\$10,719,939	\$15,915,735
21 Actual - Authorized Net Expense	\$8,211,202	\$(5,454,589)	\$(4,108,799)	\$(4,564,007)	\$(3,104,579)	\$1,431,411	\$1,131,693	\$9,170,025	\$491,839	\$2,616,688	\$(305,569)	\$1,803,024
22 557 Resource Optimization	\$2,759,309	\$1,729,085	\$1,024,018	\$(277,505)	\$5,164	\$(7,197)	\$(1,313,257)	\$105,939	\$45,296	\$17,812	\$558,748	\$104,804
23 Adjusted Actual-Authorized Net Exp	\$10,970,511	\$(3,725,504)	\$(3,084,781)	\$(4,841,512)	\$(3,099,415)	\$1,424,214	\$9,818,436	\$9,275,964	\$537,135	\$2,634,500	\$253,179	\$1,907,828
24 Washington Alloc. @ 65.16%	\$7,148,385	\$(84,404)	\$(2,010,043)	\$(3,154,729)	\$(2,019,579)	\$928,018	\$6,397,693	\$6,044,218	\$349,997	\$1,716,640	\$164,971	\$1,243,141
25 Enron Contract Buyout 100%	\$390,798	\$32,563	\$32,563	\$32,563	\$32,563	\$32,563	\$32,570	\$32,570	\$32,570	\$32,570	\$32,570	\$32,570
26 WA Retail Revenue Adjustment	\$(10,140,847)	\$645,853	\$(961,956)	\$30,672	\$(863,401)	\$(1,806,533)	\$(1,943,966)	\$(364,495)	\$(2,045,119)	\$(272,692)	\$(1,020,435)	\$(1,124,300)
27 Net Power Cost Increase (Decrease)	\$(2,801,664)	\$594,012	\$(2,939,436)	\$(3,091,494)	\$(2,850,417)	\$(945,952)	\$4,486,297	\$5,712,293	\$(1,662,552)	\$1,476,518	\$(822,894)	\$151,411
28 Cumulative Balance	\$(2,809,450)	\$(2,215,438)	\$(5,154,874)	\$(8,246,368)	\$(11,096,785)	\$(11,942,737)	\$(7,456,440)	\$(1,744,147)	\$(3,406,699)	\$(1,930,181)	\$(2,753,075)	\$(2,601,664)

input: 10,000,000 and up
input: 4,000,000 to \$10M
input: 0 to \$4M
check # - should be zero

Deferral Report
Month of Dec '06
Page 19 of 24
Company Band Gross Margin Impact, Cumulative

Avista Utilities
System Power Supply Expenses
WASHINGTON DEFERRED POWER COST CALCULATION

ACTUALS

Line No.	555 PURCHASED POWER	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	TOTAL 2006
1	Short-Term Purchases	11,111,543	9,184,537	15,446,671	6,616,895	6,684,474	8,207,670	16,342,120	11,014,495	5,770,330	4,554,926	8,412,784	8,849,176	112,195,621
2	PGE CS2 1/2 Exchange	130,200	117,600	130,200	125,825	130,200	126,000	130,200	130,200	126,000	130,375	126,000	130,200	1,533,000
3	Northwestern Load Following	71,982	56,106	54,061	26,813	12,553	60,659	109,767	118,653	127,019	111,232	143,719	119,464	1,012,028
4	Priest Rapids	489,969	448,812	439,976	503,114	575,131	654,605	758,763	717,921	585,055	564,512	701,550	613,559	7,052,967
5	Rocky Reach	111,460	83,146	83,143	151,994	133,323	444,931	123,118	149,616	106,758	116,041	109,899	417,787	2,031,216
6	Wanapum	303,287	303,287	303,287	(242,877)	303,287	303,287	303,287	303,287	303,287	303,287	303,287	-12,374	2,777,619
7	Wells	120,206	109,038	86,702	109,038	109,038	109,038	109,038	109,038	(79,512)	112,559	112,559	15,137	1,021,879
8	Black Creek Index Purchase		0								134,759	(10,964)		123,795
9	Deer Lake-IP&L	677	479	548	454	492	452	398	532	469	398	519	765	6,183
10	Small Power	152,947	116,699	110,219	117,174	95,742	114,073	98,539	51,950	51,710	51,774	89,306	103,903	1,154,036
11	Spokane-Upriver	384,035	337,964	316,463	230,988	239,501	258,750	35,915	-	18,507	40,267	301,434	335,635	2,499,459
12	WNP-3 (1)	2,877,241	2,599,868	1,420,490	1,375,751	-	-	-	-	-	-	2,373,081	2,451,882	13,098,313
13	Non-Mon. Accruals	257,874	482,126	494,682	52,149	(62,610)	(38,666)	29,556	(72,263)	50,323	120,786	(184,287)	256,875	1,386,545
14	DUKE #2108	567,300	512,400	567,300	548,238	567,300	549,000	567,300	567,300	549,000	568,063	549,000	567,300	6,679,501
15	MS #118118	1,041,600	940,800	1,041,600	1,006,600	1,041,600	1,008,000	1,041,600	1,041,600	1,008,000	1,043,000	1,008,000	1,041,600	12,264,000
16	EL PASO/MS #135382	590,550	533,400	590,550	570,706	590,550	571,500	590,550	590,550	571,500	591,344	571,500	590,550	6,953,250
17	Haleywest/Sitmon Lumber	118,405	106,152	128,634	96,021	88,064	102,674	127,252	130,596	118,350	175,123	175,379	165,591	1,532,241
18	Pollatch 62 aMW Purch	1,854,831	1,648,428	1,861,698	1,504,346	1,938,096	1,089,696	1,999,514	1,976,681	1,796,073	1,882,729	1,772,510	1,704,611	21,029,213
19	Douglas Capacity	26,300	54,450	131,500	131,500	131,500	157,800	157,800	157,800	131,500	131,500	75,673	39,450	1,326,773
20	BPA NT deviation energy						85,838	263,479	266,993	283,252	171,323	328,220	285,434	1,684,539
21	PPLM Wind Power	379,106	212,023	246,879	209,873	228,635	230,489	285,331	224,705	194,559	226,818	362,642	103,305	2,904,365
22	M.C./S.F LOSSES				11,266	21,930	23,840	55,850	51,545	26,785	15,922			207,138
23	Seattle Capacity													
24	WPM Ancillary Services	50,043	63,329	51,222	46,043	50,726	51,815	56,035	51,872	48,455	53,061	183,000	189,100	561,200
25	Total Account 555	20,639,556	17,910,644	23,505,825	13,191,911	12,879,532	14,111,451	23,185,412	17,583,071	11,787,420	11,288,999	17,570,731	18,028,421	201,682,873
(1) Effective November, 2005, WNP-3 purchase expense has been adjusted to reflect the mid-point price (\$35.62/MWh for the 2005-06 contract year). Effective November 2006 the mid-point price is \$37.17/MWh for the 2006-07 contract year, per Settlement Agreement, Cause No. U-86-99														
447 SALES FOR RESALE														
26	Short-Term Sales	13,490,234	14,944,085	25,803,958	14,157,413	17,219,988	16,256,574	17,424,159	7,652,041	5,665,057	4,999,682	15,419,388	10,244,907	163,277,486
27	Peaker LLC/PGE Cap Sale	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	1,800,000
28	Kaiser Load Following	7,303	6,003	6,663	6,108	6,379	6,583	47,026	70,572	55,750	81,706	41,337	47,967	383,397
29	Pend Oreille DES	35,558	28,319	42,447	32,743	30,968	30,479	28,413	92,451	25,409	37,164	33,962	32,934	450,847
30	Nichols Pumping Index Sale	228,144	201,496	204,988	87,402	96,119	132,008	300,236	297,892	222,685	250,453	273,297	288,192	2,582,912
31	Enron/PGE Cap Fee, employee svcs	(4,095)	(3,961)	(4,709)	(5,094)	(12,200)	(4,084)	(4,915)	(4,095)	(4,045)	(4,952)	(4,032)	(3,967)	(60,149)
32	Northwestern Load Following	177,878	174,069	163,425	132,108	160,260	229,638	432,414	337,241	243,088	288,643	277,255	321,537	2,937,556
33	BPA NT deviation energy rev						93,851	211,969	145,499	68,228	125,439	200,595	130,530	976,111
34	SMUD 25												139,160	139,160
35	SMUD 50												2,439,192	2,439,192
36	Merchant Ancillary Services	50,043	63,329	50,922	46,043	50,726	50,207	56,035	51,872	48,455	53,061	65,920	59,471	646,084
37	Total Account 447	14,135,065	15,563,340	26,417,694	14,606,723	17,702,240	16,945,256	18,645,337	8,793,473	6,474,627	5,981,196	16,467,722	13,849,923	175,572,596

Avista Utilities
System Power Supply Expenses
WASHINGTON DEFERRED POWER COST CALCULATION

ACTUALS

Line No.	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	TOTAL 2006
<u>501 FUEL-DOLLARS</u>													
38		936,228	1,039,143	856,427	409,137	569,155	244,930	848,045	996,539	1,007,345	696,979	951,798	9,480,386
39		1,107,263	1,296,087	1,216,168	995,417	637,577	702,453	1,260,002	1,992,518	1,507,874	1,205,122	1,238,392	14,401,046
40		2,043,491	2,335,230	2,072,595	1,404,554	1,206,732	947,383	2,108,047	2,989,057	2,515,219	1,902,101	2,190,190	23,881,432
41		22,775	(1,493)	313	661	(976)	4,386	25,156	(10,404)	668	2,753	3,447	47,910
42		148	12,530	14,208	12,780	13,052	2,728	102,541	55,523	18,907	13,133	191	258,463
43		22,923	11,037	14,521	13,441	12,076	7,114	127,697	13,346	19,575	15,886	3,638	306,373
44		2,066,414	2,346,267	2,087,116	1,417,995	1,218,808	954,437	2,235,744	2,180,179	2,534,794	1,917,987	2,193,828	24,187,805
<u>501 FUEL-TONS</u>													
45		47,240	46,168	46,217	25,253	39,169	13,988	48,300	47,078	55,992	46,412	50,322	517,242
46		91,999	85,433	94,722	77,639	55,753	49,165	87,718	106,890	94,475	96,830	90,640	1,018,939
<u>501 FUEL-COST PER TON</u>													
47		19.82	22.51	18.53	16.20	14.53	17.51	17.56	21.17	17.99	15.02	18.91	18.33
48		12.04	15.17	12.84	12.82	11.44	14.29	14.36	18.64	15.96	12.45	13.66	14.13
<u>547 FUEL</u>													
49		102	(77)	17	(178)	399	36	131,578	9,367	6,045	10,115	5,503	162,813
50		(2,708)	7,246	1,505	4,296	88,837	82,910	287,029	204,299	131,357	108,490	17,778	1,192,385
51		3,153	13,263	(76)	3,779	502	1,065	6,107	42,194	11,581	311	93	104,842
52		4,078,827	6,042,794	8,679,738	560,356	832,793	2,204,212	7,923,906	9,644,605	11,393,908	8,636,479	12,395,926	82,419,670
53		2,466	401	886	(1,453)	117,026	228,239	993,600	103,950	19,657	32,230	157,103	1,655,934
54		4,081,840	6,063,627	8,682,070	566,800	1,039,557	2,516,462	9,342,220	10,004,415	11,562,548	8,787,625	12,576,403	85,535,644
55		12,652,745	10,757,198	7,857,317	569,983	(2,564,343)	637,154	16,118,039	21,828,189	17,805,049	11,818,621	18,948,729	135,833,726

AVISTA UTILITIES
Washington Electric Jurisdiction
Energy Recovery Mechanism Revenue Credit
Month of December 2006

Description	January	February	March	April	May	June	July	August	September	October	November	December	YTD
Total WA kWhs per Rev Run	513,987,102	483,960,822	470,092,818	431,281,589	401,292,137	406,145,773	418,611,569	452,388,330	462,663,181	421,461,615	432,633,497	519,379,776	5,413,898,209
Deduct Prior Month Unbilled kWhs Heating	(355,532,546)	(333,551,203)	(299,669,681)	(293,686,289)	(294,319,437)	(293,057,121)	(286,171,989)	(299,064,904)	(288,060,092)	(288,339,066)	(306,774,328)	(363,211,983)	(3,701,438,639)
Deduct Prior Month Unbilled kWhs Cooling						(1,199,563)	(7,841,740)		(4,466,739)				(16,035,011)
Add Current Month Unbilled kWhs Heating	333,551,203	299,669,681	293,686,289	294,319,437	293,057,121	286,171,989	299,064,904	288,060,092	288,339,066	306,774,328	363,211,983	353,051,283	3,698,957,376
Add Current Month Unbilled kWhs Cooling					1,199,563	2,526,969	7,841,740	4,466,739					16,035,011
Washington Retail kWhs	492,005,759	450,079,300	484,109,426	431,914,737	401,229,384	400,588,047	436,819,255	438,008,517	458,475,416	439,896,877	489,071,152	509,219,076	5,411,416,946
Test Year Consumption (1)	481,585,239	466,825,783	439,660,052	414,394,121	379,308,995	354,515,250	387,230,374	447,381,840	406,298,564	433,131,899	463,146,866	480,633,226	5,154,112,149
Difference from Test Year	10,420,520	(16,746,483)	24,449,374	17,520,616	21,920,389	46,072,797	49,588,881	(9,373,323)	52,176,852	6,765,038	25,924,286	28,585,850	257,304,797
WA Retail Revenue Credit (2)	\$406,713	(\$653,615)	\$954,259	\$683,830	\$855,553	\$1,798,221	\$1,935,454	(\$365,841)	\$2,036,463	\$264,039	\$1,011,825	\$1,115,706	\$10,042,606
Net Wind Revenue Credit	\$7,762	\$7,762	\$7,697	\$7,221	\$7,848	\$9,312	\$8,512	\$8,614	\$8,656	\$9,653	\$8,610	\$8,594	\$98,241
Total Revenue Credit	\$414,475	(\$645,853)	\$961,956	\$691,051	\$863,401	\$1,806,533	\$1,943,966	(\$357,227)	\$2,045,119	\$272,692	\$1,020,435	\$1,124,300	\$10,140,847

(1) from Exhibit No. 185 (WGJ-5) in Docket No. UE-050482 and Exhibit No. (WGJ-2) in Docket No. UE-060181.

(2) Production and Transmission Retail Revenue Credit Rate per the Settlement Agreement approved in Docket No. UE-060181, Order 03.

Reflects Exhibit No. 137 (TLK-7) Column F, Line 27 + Line 28, revised for Commission Ordered Adjustments and Revenue Increase Approved in Docket No. UE-050482.

Schedule 95 Wind Revenue	0.275	\$10,706.75	\$10,706.60	\$10,615.89	\$9,960.06	\$10,824.22	\$11,464.50	\$11,740.59	\$11,880.78	\$11,939.79	\$11,934.76	\$11,875.35	\$11,854.02	\$135,503.31
Deduct Admin Expense		\$2,944.36	\$2,944.32	\$2,919.37	\$2,739.02	\$2,976.66	\$3,152.74	\$3,228.66	\$3,267.21	\$3,283.44	\$3,282.06	\$3,265.72	\$3,259.86	\$37,263.41
Net Wind Revenue Credit		\$7,762.39	\$7,762.29	\$7,696.52	\$7,221.04	\$7,847.56	\$8,311.76	\$8,511.93	\$8,613.57	\$8,656.35	\$8,652.70	\$8,609.63	\$8,594.16	\$98,239.90

Year to Date Adjustment to Revenue Credit at May 2006

Revenue Credit as Recorded per ERM Journal	\$384,881													
Revised Revenue Credit per Settlement Agreement	\$414,475													
Correct Input Error April 2006 Journal (3)														
April Revenue Credit as revised June 2006														
Corrected April Revenue Credit														
Adjustment recorded with August 2006 Journal														
August Total Revenue Credit Entry														

Correct Input Error April 2006 Journal (3)														
April Revenue Credit as revised June 2006														
Adjustment recorded with August 2006 Journal														
August Total Revenue Credit Entry														

(3) The April 2006 Journal had inadvertently used April 2005 Revenue Run kWhs in the calculation. This adjustment corrects the year to date revenue credit for this error.

Avista Corporation Journal Entry

Journal: 485-ECB AMORT
 Team: Resource Accounting
 Type: C
 Category: DJ

Effective Date: 200612
 Last Saved by: Lori Hamilton
 Submitted by: Lori Hamilton
 Last Saved: 12/27/2006 3:25 PM

Seq.	Co.#	FERC	Ser.	Jur.	S.I.	Debit	Credit	Comment
10	001	557162 - ENRON CONTRACT BUYOUT	ED	WA	DL	29,313.00		Amortization expense
20	001	182360 - REGULATORY ASSET ENRON CONTRACT	ED	WA	DL		29,313.00	Amortization for WA ERM
30	001	182360 - REGULATORY ASSET ENRON CONTRACT	ED	WA	DL	64.00		Accrue interest on unamortized balance for future recovery
40	001	419000 - INTEREST AND DIVIDEND INCOME	ZZ	ZZ	DL		64.00	Interest income accrued
50	001	410100 - PRV DFIT DR	ED	WA	DL		10,260.00	DFIT expense on amortization (operating)
60	001	410200 - DFIT EXP-NONOPER (DR)	ZZ	ZZ	DL	21.00		DFIT expense on interest (non-operating)
70	001	283360 - ADFIT ENRON CONTRACT BUYOUT	ED	WA	DL	10,239.00		ADFIT ECB
TOTALS:						39,637.00	39,637.00	

L. Hamilton
 Prepared by Lori Hamilton
 Date: 1/2/07

Jani Judge
 Reviewed by
 Date: 1/2/07

Approved for Entry
 Corporate Accounting use Only
 Date

Explanation:
 The WA ERM Settlement created a regulatory asset to be recovered over the 3 year period of the original purchased power contract (2004-2006). As the contract buyout expense is amortized it will become part of the monthly ERM calculation.

“Redacted Attachment A”

Avista Corporation
Monthly Power Cost Deferral Report
Month of December 2006

Long-term Power Transaction
(See attached)

RECEIVED
JAN 02 2007
EXECUTIVE DEPARTMENT

December 21, 2006

Gary Ely
CEO and Chairman
Avista Corporation
1411 East Mission,
Spokane, WA 99220-37727
MMS C-7

Re: Letter Agreement to Exercise Option under Avista Corporation Service Agreement No. 476 for Purchase and Sale of Additional Energy and Corresponding RECs

Dear Mr. Ely:

The Sacramento Municipal Utility District (SMUD) and Avista Corporation, dba Avista Utilities, (Avista) entered into a Confirmation Agreement under the Western Systems Power Pool Agreement, designated as Avista Corporation Service Agreement No. 476, with an effective date of December 1, 2006 (Agreement). The Agreement provides that SMUD shall purchase 50 MW of energy and corresponding renewable energy credits (RECs) from Avista's Renewable Sources. The Agreement further states that the Parties may mutually agree to increase the quantity to up to 75 MW.

This Letter Agreement confirms our mutual agreement to exercise the option set forth in the Delivery Rate on page 1 of the Agreement to increase the Delivery Rate from 50 MW to 75 MW beginning on December 28, 2006 through June 30, 2013.

The Parties recognize and agree that a higher incidence of transmission curtailment is likely to affect delivery of the incremental 25 MW of power. Accordingly, the applicable REC premium for the incremental 25 MW shall be as follows:

(1) The REC premium for December 28, 2006 through December 31, 2007 shall be [REDACTED] MWh for each MWh of RECs above 50 MW during each hour delivered to SMUD.

(2) The REC premium for January 1, 2008 through June 30, 2013 shall be [REDACTED] MWh for each MWh of RECs above 50 MW during each hour delivered to SMUD from Avista's System.

(3) The REC premium for January 1, 2008 through June 30, 2013 shall be [REDACTED] MWh for each MWh of RECs above 50 MW during each hour delivered to SMUD from Avista's control area exclusive of Avista's System as defined in the Agreement.

(4) The REC premium for any REC delivered from December 28, 2006 through December 31, 2007 shall be [REDACTED] MWh for each MWh of RECs above 50 MW during each hour delivered to SMUD that the Buyer elects to purchase in conjunction with energy delivered in accordance with Section 8.B of the Agreement.

(5) The REC premium for any REC delivered from January 1, 2008 through June 30, 2013, shall be [REDACTED] MWh for each MWh of RECs above 50 MW during each hour delivered to SMUD that the Buyer elects to purchase in conjunction with energy delivered in accordance with Section 8.B of the Agreement.

For the purposes of this Letter Agreement, Section 14 of the Agreement shall not apply to a failure of Avista to deliver RECs corresponding to energy in excess of 50 MW during an hour, provided that Avista shall deliver all RECs that are actually available to Avista during such hour from Avista's small hydro and/or biomass facilities located in Washington and Idaho State known as Upper Falls HED, Post Falls HED, Nine Mile HED, Monroe Street HED, Kettle Falls Wood Waste Plant and Potlatch Forest Products Corporation's facility at Lewiston, Idaho, unless delivery of the RECs or the corresponding energy is excused by the Agreement or the WSPP Agreement. Avista shall have no expressed or implied obligation under this Letter Agreement to acquire RECs from any source other than Avista's small hydro and/or biomass facilities located in Washington and Idaho State known as Upper Falls HED, Post Falls HED, Nine Mile HED, Monroe Street HED, Kettle Falls Wood Waste Plant or Potlatch Corporation's facility at Lewiston, Idaho.

For the term of this Letter Agreement, Section 1. H, Section 3.B and Section 4.3) of the Special Provisions of the Agreement shall be amended so that where the number 50 (fifty) occurs in such Sections it shall be replaced by the number 75 (seventy-five). In addition, the phrase "exactly 25 MW or exactly 50 MW" contained in Section 8.C shall be replaced by the phrase "exactly 25 MW, 50 MW or 75 MW". Further, the example contained in Section 8. C shall be interpreted as having been written for the case of a 50 MW Delivery Rate and as not being applicable to rounding for a 75 MW Delivery Rate.

Unless otherwise specifically set forth above, all of the other terms and conditions of the Agreement shall apply. Capitalized terms not defined herein shall have the meaning set forth in the Agreement.

This Letter Agreement shall become effective on December 21, 2006, and shall terminate on June 30, 2013, unless it is extended by mutual agreement of the Parties, or the Agreement is otherwise terminated in accordance with its terms.

Please countersign this Letter of Agreement in the space provided below to document Avista's concurrence in this Letter of Agreement. My signature evidences SMUD's concurrence. If you have any questions, please contact Greg Schwarz at (916) 732-6849. Thank you.

Sincerely,


Jan Schori

(please)
General Manager
Sacramento Municipal Utility District

Avista Corp:

By: 

Name: Gary Ely

Title: CEO & Chairman

12/21/2006

cc:

TRADE DATE: November 28, 2006
TO: Sacramento Municipal Utility District
PHONE: (916) 732-5939
FAX: (916) 732-6002

Avista Corp dba Avista Utilities ("Avista Corp Water Power")

CONFIRMATION AGREEMENT (AGREEMENT)

Enabling Agreement	WSPP Agreement	Avista Corp. Contacts:
<p>Avista Corp. Contract #: Avista Corp. Contact: Counter Party Contact: Seller: Buyer: Start Date: End Date: Energy Service: Schedule C</p> <p>Delivery Rate (MW/hr)</p> <p>Price: (\$/MWh) Total MWhs:</p> <p>Point of Delivery:</p>	<p><i>3112 (141868)</i> Dave Miller Brian Jobson Avista Corp dba Avista Utilities. ("Avista Corp Water Power") Sacramento Municipal Utility District</p> <p>December 1, 2006 December 31, 2014</p> <p>Schedule C Firm with corresponding Renewable Energy Credits (REC) Avista responsible for transmission charges and losses to COB 7 days/week 24 hours/day (HE0000-HE2400 PPT) Including NERC holidays See Special Provisions, Section 8. Avista shall operate the generating sources used to supply energy to SMUD under this Agreement, if Avista is required to carry operating reserves on generation, pursuant to Western Electric Coordinating Council (WECC) operating reserve requirements as they may change from time to time. Avista implements those requirements through the Northwest Power Pool reserve sharing program as they may change from time to time.</p> <p>December 1, 2006 - December 31, 2007 - 50 MW January 1, 2008 - December 31, 2014 - 50 MW with an option to increase, from time to time, to up to 75 MW if mutually agreed by the Parties</p> <p>See Special Provisions Section 5, Price December 2006 = 37,200 MWh 2007 = 438,000 MWh 2008 - 2014 = 4,602,600 MWh (MWh totals based on the Delivery Rate remaining 50 MW throughout the Term and reflects 2 leap years)</p> <p>COB North to South or alternate POD by mutual agreement.</p>	<p>Preschedule No.: (509) 495-8068</p> <p>Real-Time Desk No.: (509) 495-8534</p> <p>Trader Phone No.: (509) 495-4073</p> <p>Trader Fax No.: (509) 495-4272</p> <p>Confirmations Contact: Pat Brown (509) 495-8123</p> <p>Billing Contact: Rick Lloyd (509) 495-4935</p> <p>Contract Administrator: Dave Spannagel (509) 495-4048</p>

Scheduling:

All energy shall be scheduled in Pacific Prevailing Time. Buyer shall preschedule all deliveries of energy in accordance with applicable WECC standards and on the applicable prescheduling day as determined by WECC, or as otherwise mutually agreed. Schedules may only be curtailed due to an Uncontrollable Force or by mutual agreement of both Parties. Seller shall obtain NERC Identification numbers for the Renewable Sources as required for certification by the California Energy Commission. Tagging shall conform to WECC requirements. Buyer shall make a special notation in the contract field of the NERC tag identifying the power scheduled as renewable generation from the Renewable Sources.

Billing:

Billing and payment under this Agreement shall be made in accordance with Section 9, Western Systems Power Pool Agreement, as amended.

Special Provisions:

1. Definitions: The following terms, when used herein with initial capitalization, whether in the singular or in the plural, shall have the meanings specified in the WSPP Agreement, except as set forth below or otherwise defined in this Agreement.

A. Adjusted Annual REC Capacity Factor. This term means the percentage number for any particular calendar year calculated as follows:

- (1) the sum of the:
 - (a) total MWh of RECs delivered;
 - (b) total MWh of RECs deemed to be delivered pursuant to Section 9;
 - (c) total MWh of RECs not delivered due to planned or forced outages of the Kettle Falls Wood Waste Plant to the extent that the amount of electricity from Avista's small hydroelectric Renewable Sources plus any remaining amount of electricity generated by the Kettle Falls Wood Waste Plant fall short of the energy delivery rate during the hours of such outages;
 - (d) total MWh of RECs not delivered due to any failure by Buyer to perform its obligations under this Agreement;
 - (e) total MWh of RECs not delivered due to suspension of this Agreement in accordance with Section 16 or Section 17;
 - (f) total MWh of RECs not delivered due to an Uncontrollable Force;

(2) divided by the number of hours in such calendar year multiplied by 50 MW for the applicable calendar year.

B. Avista's System. This term means Avista's control area as presently set forth for NERC tagging purposes, except for: (1) Coyote Springs 2; (2) Mid Columbia without a concurrent Avista System to Mid C tag; and (3) Colstrip.

C. Environmental Attributes. This term means any and all credits, benefits, emissions reductions, environmental air quality credits, offsets, and allowances, howsoever entitled, directly attributable to the generation from the project and its displacement of conventional energy generation. Environmental Attributes include but are not limited to: (1) any avoided emissions of pollutants to the air, soil or water such as sulfur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO₂), methane (CH₄) and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change to contribute to the actual or potential threat of altering the Earth's climate by trapping heat in the atmosphere; and (3) the reporting rights to these avoided emissions such as Green Tag Reporting Rights. Green Tags are accumulated on kWh basis and one Green Tag represents the Environmental Attributes associated with one (1) MWh of energy.

Environmental Attributes do not include (1) any energy, capacity, reliability or other power attributes from the project, (2) production tax credits associated with the construction or operation of the project and other financial incentives in the form of credits, reductions, or allowances associated with the project that are applicable to a state or federal income taxation obligation, (3) fuel-related subsidies or "tipping fees" that may be paid to Seller to accept certain fuels, or local subsidies received by the generator for the destruction of particular pre-existing pollutants or the promotion of local environmental benefits, or (4) emission reduction

credits encumbered, used or created by the project for compliance with or sale under local, state, or federal operating and/or air quality permits or programs.

If Seller receives any tradable Environmental Attributes based on the greenhouse gas reduction benefits attributed to its fuel usage, it shall provide SMUD with sufficient Environmental Attributes to ensure that there are zero net emissions associated with the production of electricity from such facility.

The term Environmental Attributes includes any other environmental credits or benefits recognized in the future and attributable to Energy generated by the project during the Term, unless otherwise excluded herein.

Any Environmental Attributes provided under this Agreement shall be documented by Renewable Energy Credits, the monthly cumulative total of which shall be provided to SMUD by way of Seller's Renewable Energy Credit Attestation and Bill of Sale.

D. REC Replacement Price. This term means the price at which the Buyer effects a purchase of substitute RECS in place of the RECS not delivered by the Seller in accordance with Section 14, or, absent such a purchase, the market price for such quantity of RECs. For the purposes of this Agreement the market price shall be determined by each Party obtaining two (2) quotes from sellers or brokers representing sellers in the REC market for replacement RECs associated with biomass or small hydroelectric generation that meet the requirements of the California Energy Commission renewable portfolio standards program. The Parties may obtain quotes for replacement RECS associated with generation produced by renewable resources that do not use biomass or small hydroelectric technology only if Buyer is able to use such replacement RECs to comply, voluntarily or otherwise, with California's renewable portfolio standards program without exceeding any limit set by such program on any one type of renewable technology when combined with Buyer's other renewable resources. The average of the four (4) quotes shall be the applicable market price.

E. Renewable Energy Credit (REC). This term means a certificate of proof that one unit of electricity was generated by a renewable energy resource. The REC shall represent all renewable and Environmental Attributes associated with electricity production by a renewable energy resource. RECs are accumulated on a kWh basis and one REC represents the Environmental Attributes made available by the generation of 1,000 kWh from the Unit. For purposes of this Agreement, the term REC shall be synonymous with the term green tag, green ticket, tradable renewable certificates, Western Renewable Energy Generation Information System (WREGIS) certificate or any other term used to describe the documentation that evidences the renewable and Environmental Attributes associated with electricity production by a renewable energy resource.

F. Renewable Fuel. This term means fuel that meets the requirements set forth in California Public Resources Code § 25743(f). Seller shall provide Buyer by February 1 of each year during the delivery term, and as soon as practicable upon the end of the delivery term, an annual report that specifies the total pounds of carbon dioxide released or produced from the combustion of any non-Renewable Fuel sources used for the generation of energy delivered pursuant to this Agreement.

G. Renewable Sources. This term means California Energy Commission (CEC) certifiable renewable energy inclusive of both the electricity and Environmental Attributes (1) generated from Seller's small hydro and/or biomass facilities located in Washington and Idaho State known as Upper Falls HED, Post Falls HED, Nine Mile HED, Monroe Street HED, and Kettle Falls Wood Waste Plant; and (2) generated from non-utility hydroelectric generation and/or biomass power electric generation facilities from which generation output and Environmental Attributes have been purchased by Avista and that are (CEC) certifiable, provided that appropriate and acceptable facility and purchase information, including CEC certificates, which provide evidence that they meet California RPS standards.

H. Uncontrollable Forces. This term shall have the meaning set forth in the WSPP Agreement, and shall further mean: a) full or partial curtailments of the transmission path from the Point of Delivery to the SMUD system; or (b) reduction in Seller's transmission capacity from John Day to the Point of Delivery which results in less than 50 MW of such transmission capacity rights.

2. Transaction Type: Seller shall make available the WSPP Schedule C firm product for the full amount of this Agreement and shall deliver energy from Avista's control area and RECs from the Renewable Sources. Seller shall accomplish CEC pre-certification of the Seller owned Renewable Sources prior to December 1, 2006. Seller shall

accomplish CEC certification of the Renewable Sources as soon as reasonably possible, to the extent that the Renewable Sources become eligible for such certification subsequent to execution of this Agreement.

3. Delivery:

A. Delivery of Energy. Delivery will consist of WSPP Schedule C firm energy unless there is a conflict with the specific provisions in this Agreement, in which case this Agreement shall govern.

B. Delivery of Renewable Energy Credits. Seller shall provide to SMUD the right to the first 50 MW of Renewable Energy Credits from the Renewable Sources during all hours of delivery under this Agreement, unless otherwise specified herein. All RECs associated with energy produced by biomass facilities and delivered to SMUD hereunder shall be produced only utilizing Renewable Fuel. Seller shall provide SMUD with a REC Attestation and Bill of Sale, in the form attached as Exhibit 1, at the time of monthly billing. The REC Attestation and Bill of Sale will transfer to Buyer all Environmental Attributes produced by the portion of the output of the Renewable Sources sold to Buyer under this Agreement. At such time as WREGIS is implemented as a prevailing practice in WECC, the Parties shall be responsible for complying, at their own expense, with any requirements imposed by WREGIS or the Center for Solutions' Green-e program for the purpose of verifying SMUD's renewable energy purchases under this Agreement. Seller shall also provide to Buyer evidence that Renewable Sources are certifiable by the California Energy Commission.

4. Invoices. Seller shall provide on a monthly basis and at the time of invoicing to Buyer:

- 1) A statement setting forth the daily amounts of energy delivered and the daily price;
- 2) an accompanying statement indicating the hours and the amounts of energy delivered at the Point of Delivery which was not delivered from Seller's control area;
- 3) a statement indicating the hours and the amounts in which the Renewable Sources were not available to supply 50 MW per hour of Renewable Energy Credits.
- 4) the total amount owed by Buyer to Seller, consisting of:
 - (a) hourly amounts of energy delivered to Buyer multiplied by the applicable prices; plus
 - (b) the hourly amounts of RECs delivered multiplied by the applicable REC Premiums identified in Section 5.

5. Price:

A. Energy: The price shall be the Dow Jones COB (California Oregon Border) firm electricity daily index for on-peak, off-peak, and Sunday/NERC holiday hours separately applied to on-peak, off-peak, and Sunday/NERC holiday hours respectively, where:

- (1) On-peak Hours: means hours ending 0700 to 2200 (6 a.m. – 10 p.m.) Pacific Time, Monday through Saturday except NERC holidays.
- (2) Off-peak Hours: means hours ending 2300 to 0600 (10 p.m. -6 a.m.) Pacific Time, Monday through Saturday except NERC holidays.
- (3) Sunday/NERC Holiday Hours: means all hours occurring on Sunday or a NERC holiday.

B. REC Premium:

(1) The price for December 1, 2006 through December 31, 2007 shall be [REDACTED] \$/MWh for each MWh of REC delivered to Buyer.

(2) The price for January 1, 2008 through December 31, 2014 shall be [REDACTED] \$/MWh for each MWh REC delivered to Buyer from Avista's System.

(3) The price for January 1, 2008 through December 31, 2014 shall be [REDACTED] \$/MWh for any REC delivered to Buyer from Avista's control area exclusive of Avista's System as defined herein.

(4) The price for any REC delivered from December 1, 2006 through December 31, 2007 shall be [REDACTED] \$/MWh for any REC that the Buyer elects to purchase in conjunction with energy delivered in accordance with Section 8.B.

(5) The price for any REC delivered from January 1, 2008 through December 31, 2014, shall be [REDACTED]

_____ MWh for any REC that the Buyer elects to purchase in conjunction with energy delivered in accordance with Section 8.B.

6. Auditing Rights: For clarification, both parties shall have auditing rights in accordance with WSPP Agreement, Section 9.

7. Dispatch Hour: Only the MWhs of RECs that are produced in the same hour as the energy delivered to Buyer shall count toward Seller's obligations hereunder.

8. Obligation to Deliver Energy:

A. Delivery from Avista Control Area. Power under this Agreement shall be sourced from the Avista control area at Avista's System, Mid-C or Coyote Springs 2, except in the event of (1) an Uncontrollable Force; (2) full or partial curtailments or derates of the transmission path from Avista's control area to John Day; or (3) the inability of Seller to run the Kettle Falls Wood Waste Plant due to equipment failure or if shutdown is required by prudent utility practices.

B. Delivery from Outside of Avista Control Area. When any of the events listed in Section 8(A)(1), 8(A)(2) and 8(A)(3), above, prevents deliveries from the Avista control area but does not prevent deliveries to the Point of Delivery, Avista shall schedule and deliver to SMUD at the Point of Delivery the energy from other sources, consistent with the other provisions of this Agreement. To the extent that Seller must utilize power from a source located outside of Seller's control area to continue deliveries, Seller shall remain obligated to offer to deliver RECs from Renewable Sources that generated the scheduled amounts of energy during the same hours as the deliveries scheduled from alternate sources to the Buyer. Buyer may (1) elect to buy the affected RECs for such energy at the applicable REC Premium set forth in Section 5(B)(4) or 5(B)(5); (2) continue to buy the energy without buying the associated RECs, or (3) refuse delivery of the affected energy and the RECs. Seller shall contact Buyer by 5:30 a.m. Pacific Prevailing Time (PPT) on the applicable prescheduling day and inform Buyer of energy schedules from sources outside of Avista's control area. Buyer shall then declare its choice among the options set forth above no later than 6:00 a.m. PPT. If the declaration is not made by 6:00 a.m. PPT, Seller shall deliver the affected energy and discounted RECs. A selection that requires the delivery of non-standard quantities shall be made by mutual agreement. To the extent that Seller becomes aware, after the energy preschedule has been established, of its inability to deliver via any particular scheduled transmission path, or from any particular scheduled generation source, then Seller shall inform Buyer of such as soon as possible and Seller shall remain liable, unless excused by Buyer or by reason of Uncontrollable Force, to deliver in the amount of the full delivery rate to SMUD at the Point of Delivery. Buyer retains all of its rights to accept or refuse the energy and/or RECs associated with any proposed schedules from outside of Avista's control area. In such case, Buyer shall make its election to accept or refuse such energy and/or RECs immediately upon being informed by Seller of the need for a schedule change. Any changes in the specifications contained in the NERC tag provided under this Agreement due to the special transmission provisions in this Agreement shall be made with sufficient notice from Seller to Buyer such that all Parties can meet the WECC standard tagging and scheduling deadlines.

C. Rounding of Schedules. When curtailments of energy deliveries from Avista's control area (to the extent such curtailments are specifically allowed hereunder) do not allow such deliveries to be delivered at a rate of either exactly 25 MW or exactly 50 MW ("Round Lots"), then Avista may, in its sole discretion and upon proper notice, round down such delivery schedules from its control area to the nearest Round Lot (or zero MW if already less than 25 MW). In such case, Avista remains obligated to deliver energy to the Delivery Point in the full amount of the Delivery Rate, by including delivery of the remaining energy from outside of Avista's control area. For example, if an allowed curtailment enables Avista to deliver only 35 MW from its control area and therefore supply an additional 15 MW from outside of its control area, Avista has the option, in any such hour, to instead deliver 25 MW from its control area and 25 MW from outside of its control area. In such cases SMUD retains all of its rights and choices hereunder associated with deliveries from outside of Avista's control area. Avista shall give notice of its exercise of such right to round down schedules no later than 5:30 a.m. PPT on the applicable WECC prescheduling day.

D. Effect of Uncontrollable Force Affecting Transmission. Notwithstanding any other provisions of this Agreement, in the event of an Uncontrollable Force affecting transmission from John Day to the Point of Delivery or from the Point of Delivery to the SMUD distribution system, neither Party shall be obligated to attempt to purchase replacement transmission, or to purchase or sell the associated curtailed energy.

9. Obligation to Deliver from Renewable Sources: Seller shall use all reasonable efforts to generate energy from the Renewable Sources, and produce associated Renewable Energy Credits, in at least equal amounts to the schedule from Seller to Buyer of power under this Agreement. The deficiency of energy and RECs if any from the Renewable Sources may be scheduled at a later time by mutual agreement, with the energy price set forth in Section 5, entitled "Price" for the actual delivery hour and the applicable REC Premium. Avista may deliver energy and simultaneous RECs from the Renewable Sources at a rate greater than 50 MW and up to 75 MW at mutually agreeable times. In the event that Parties are unable to agree on the time for make-up deliveries from the Renewable Sources for amounts greater than 50 MW with simultaneous RECs, Avista may offer make-up deliveries to SMUD on a preschedule basis no later than 5:30 PPT on the prescheduling day. If Buyer rejects the make-up delivery schedule offered by Seller, Seller shall get credit for the schedule for purposes of calculating the Adjusted Annual REC Capacity Factor as if the energy and the associated RECs from the Renewable Sources had been delivered (Rejected Make-up Schedules), up to a cumulative amount of 21,900 MWh of Rejected Make-up Schedules in any calendar year. With the exception of up to 21,900 MWh of Rejected Make-up Schedules per calendar year, only schedules accepted by Buyer and delivered by Seller from the Renewable Sources with associated simultaneous RECs may count for the purposes of the Adjusted Annual REC Capacity Factor.

10. Nature of Environmental Attributes Seller shall not assign, transfer, convey, encumber, sell, or otherwise dispose of all or any portion of the Environmental Attributes generated from the Renewable Sources associated with energy delivered to Buyer hereunder to any person other than Buyer nor shall Seller use such Environmental Attributes for Seller's own purposes. With respect to those Renewable Sources which combust biomass, Seller shall not utilize fuel that is not Renewable Fuel in excess of the portion allowed by the CEC for Eligible Renewable Resources.

11. Transmission:

A. Transmission Costs. Avista shall be responsible only for all transmission expenses and losses associated with the delivery of energy from its control area on BPA transmission to John Day and PGE transmission from John Day to the Point of Delivery.

B. Transmission from John Day to Point of Delivery. Transmission utilized by Seller from John Day to the Point of Delivery shall be firm. Avista shall use commercially reasonable efforts to obtain ongoing firm transmission from John Day to the Point of Delivery under roll-over provisions of PGE's transmission tariff. Seller shall have the right to terminate this Agreement with sixty (60) days advance written notice if, despite such commercially reasonable efforts, it is unable to obtain such firm transmission rights.

C. Transmission from Avista Control Area to John Day. Transmission from Avista control area to John Day will be, at Avista's sole discretion, firm, non-firm or a combination of firm and non-firm. If SMUD determines, based on operating experience, or regulatory action that the non-firm transmission that Seller uses to deliver energy or the nature of the WSPP Schedule C product results in SMUD carrying 100 percent of the Delivery Rate in increased operating reserves, then SMUD may propose amendments to this Agreement, which Avista may accept or reject in its sole discretion. If Avista rejects the proposed amendment, then SMUD may terminate this Agreement upon sixty (60) days prior notice, and the obligations to deliver and accept deliveries of firm energy and RECs shall cease upon the date of the termination.

12. Remedies for Events of Default: Section 22.2 of the WSPP Agreement is amended to eliminate the requirement that a Non-Defaulting Party will be required to pay money to a Defaulting Party if the Non-Defaulting Party's Aggregate Gains exceed its Aggregate Losses and Costs, provided, however, that the Non-Defaulting Party shall be responsible for monies owed to the Defaulting Party for energy and REC deliveries scheduled prior to the date of termination of this Agreement. In no case shall a defaulting Party be entitled to a mark to market based payment regardless of any language authorizing such a payment related to future deliveries in the WSPP agreement or elsewhere.

13. Damages for Unexcused Failure to Deliver or Receive Energy: Subject to the provisions of this Agreement, in the event of a failure to deliver or receive contracted deliveries of energy not excused by an Uncontrollable Force, the damages provisions set out in WSPP Agreement, Section 21.3, shall apply to such failure to deliver or receive contracted deliveries.

14. Damages for Unexcused Failure to Deliver RECs: Failure to deliver the RECs as required herein shall result in the Seller being liable for the product of the positive amount, if any, by which the Replacement Price differed from the REC Premium (REC Replacement Price – REC Premium) and the amount not delivered by Seller under this Agreement. Buyer may withhold payment of the applicable REC Premium until suitable attestation is provided or settlement of replacement costs occurs. Except as permitted by this Agreement, Seller has an unqualified obligation to deliver the energy, and Environmental Attributes and shall not rely on replacement cost as an alternative to delivery.

15. Resource Adequacy and Congestion Hedging Rights. To the extent that it does not affect Seller's Network Resource designation, Seller shall provide reasonable cooperation with SMUD and any applicable authorities to enable SMUD to use the capacity provided to it hereunder to (1) meet resource adequacy requirements applicable to SMUD; or (2) apply for congestion hedging rights from any applicable authority.

16. Network Resource Designation: Either party may suspend this agreement on thirty (30) days written notice if the FERC issues an order in Docket No. RM05-25-000, or otherwise adopts an interpretation of the existing *pro forma* open access transmission tariff (OATT), which requires formal un-designation by Seller of previously designated Network Resources when energy from such Network Resources is sold pursuant to Schedule C of the WSPP Agreement by a transmission provider, and such sale results in no ability to redesignate such resources as Network Resources under the OATT without penalty or condition, such as loss of native load transmission priority, or eligibility to be designated as a Network Resource under the OATT. Such suspension shall be effective thirty (30) days after Buyer's receipt of the notice of suspension or the effective date of such FERC order or interpretation, whichever occurs later. Upon receipt of the notice of suspension, Buyer shall have thirty (30) days to notify Seller in writing whether it will accept all deliveries of energy hereunder from a source other than the Avista control area. If Buyer notifies Seller that it will accept all deliveries from sources outside of the Avista control area, (a) the Agreement shall be amended such that Seller may source its obligation to deliver a WSPP Schedule C product hereunder from any source, and Seller shall sell and Buyer shall buy RECs produced from the Renewable Sources in association with all energy deliveries hereunder without application of the discounted REC Premium set forth in Section 5(B)(4) and Section 5(B)(5); and (b) Seller shall resume deliveries under this Agreement within thirty (30) days. If Buyer elects not to accept deliveries from sources outside of the Avista control area, the Parties shall use good faith efforts to agree on a product as similar as possible to the WECC Schedule C firm product provided hereunder that preserves the relative value of the Agreement for the Parties and satisfies Seller's concern with regard to designation of Network Resources. If the Parties cannot reach agreement within sixty (60) days, either Party may terminate the Agreement.

17. Suspension of Delivery Provisions: Delivery requirements described in this Agreement may be suspended (unless both parties mutually agree to continue the Agreement or otherwise agree in writing) if the following occurs. For purposes of this Section 17: (a) the MID C Price shall be reasonably determined by Seller to be either the most recently published Dow Jones Mid-Columbia firm electricity day-ahead index or a more recent applicable market price quote for future delivery of firm electricity to Mid-Columbia for the applicable day and hours; (b) the COB Price shall be reasonably determined by the Party exercising a right pursuant to this section to be either the most recently published day-ahead Dow Jones COB firm electricity index (for the On-Peak, Off-Peak, Sunday or NERC Holiday hours as applicable) or a more recent applicable market price quote for future delivery of firm electricity to Mid-Columbia for the applicable day and hours; and (c) the MIDC Forward Price shall be the average of the bid and offer prices for future delivery of firm electricity to Mid-Columbia for the applicable annual period, obtained from two different brokers of electricity as reasonably selected by Seller.

A. On a Prescheduled basis and by 6:00 AM, if COB energy prices exceed \$300 MWh, SMUD shall have the right but not the obligation to suspend deliveries for the Preschedule day. If by 6:00 a.m. SMUD has not elected to suspend deliveries, Avista shall continue to make deliveries per the terms of the Agreement.

B. When Avista is buying 50 MW to meet load requirements, if a combination of the (1) the cost of transmission losses from Mid C and or Coyote 2 to COB, as determined by multiplying the total transmission losses from Avista's control area (which is the sum of the applicable Bonneville Power Administration and PGE transmission losses rates) to the Point of Delivery by the Mid C price, plus (2) the cost of incremental transmission from Avista's control area to John Day, as reasonably determined by Seller, plus (3) the amount (which may be positive or negative) obtained by subtracting the COB price from the Mid C Price, exceeds the REC Premium as defined in Section 5, then the Seller, as far in advance as possible, but in no case later than 05:30 a.m. Pacific Prevailing Time on the applicable WECC pre-scheduling day, may notify the Buyer of Seller's requirement for additional payment to prevent suspension of deliveries. Such notice shall include disclosure of

Seller's determination of each of the cost components listed above, as well as the Mid C price and the COB price. Upon such notification, Buyer may elect to make additional payment to the Seller to eliminate the financial loss as quantified at that time by the Seller, in which case the Seller shall not suspend deliveries.

C. If the incremental cost of generation at Kettle Falls Generator exceeds the Mid C Forward Price by \$15, Seller may elect to reduce future power delivery on an annual basis. Seller shall provide Buyer with no less than 10 business days of written notice prior to any such reduction of power deliveries. In such case the Seller shall be obligated to deliver to the Buyer the remaining renewable power available from the Renewable Sources, and the Buyer shall have the option to accept such reduction, pay such Kettle falls costs that exceed of the Mid C Forward Price by \$15 (in which case there shall be no such reduction), or terminate the contract with thirty (30) days notice. If the Buyer accepts such reduction, then the calculation of Adjusted Annual REC Capacity Factor shall be changed so that the amount of hourly energy referenced in Section 1.A.(2) is reduced accordingly. Such a reduction shall not constitute an unexcused failure to deliver RECs.

D. If the renewable energy or RECs provided under this Agreement do not meet California regulatory requirements such that Buyer determines in good faith that it may not use the energy or the RECs to meet its renewable portfolio standard goals, Buyer may suspend its performance under this Agreement. In such event, the Parties shall be obligated to negotiate in good faith to attempt to negotiate commercially reasonable amendments that preserve the relative economic value of the transaction to the parties. If the Parties are unable to agree upon such modifications within thirty (30) days or such longer period as mutually agreed by the Parties, Buyer shall have the right, but not the obligation to terminate this Agreement.


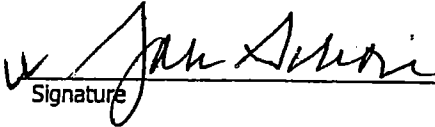
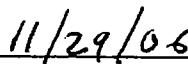
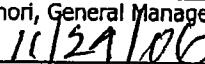
18. Buyer's Conditional Right to Terminate: In the event that the Adjusted Annual REC Capacity Factor for any calendar year falls below 90%, Buyer shall have the right to terminate this Agreement by providing Seller with thirty (30) days advance written notice of termination. Upon receipt of such notice of termination, Seller shall have the right to submit a reasonable cure plan to Buyer setting forth the actions to be taken by Seller to ensure deliveries of RECs from the Renewable Sources and energy from the Avista control area as contemplated herein. Buyer shall not unreasonably reject any such reasonable cure plan submitted by Seller. If Buyer rejects Seller's cure plan, the Parties shall continue to use commercially reasonable efforts to agree upon an acceptable alternate cure plan before the effective date of termination.

19. Dispute Resolution: The Parties agree that the mandatory arbitration provisions of the WSPP Agreement apply to this Agreement.

20. Regulatory Filing: The Agreement is subject to filing with and acceptance by the Federal Energy Regulatory Commission.

This Agreement is being provided pursuant to and in accordance with Service Schedule C of the Western Systems Power Pool Agreement, to which the Buyer and Seller are parties, and constitutes part of and is subject to all of the terms and provisions of such agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Western Systems Power Pool Agreement.

Please sign below and Fax to Pat Brown at 509-495 8123.

AGREED AND ACCEPTED	
Avista Corp dba Avista Utilities ("Avista Corp Water Power")	Sacramento Municipal Utility District
 _____ Gary Ely, CEO & Chairman	 _____ Signature
 _____ Date	 _____ Date

RBS