

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



December 14, 2007

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, November 2007

Dear Ms. Washburn:

Enclosed are an original and five copies of Avista Corporation's Power Cost Deferral Report for the month of November 2007. The report includes the monthly energy recovery mechanism (ERM) accounting journal together with backup workpapers. In November actual net power costs were higher than authorized costs by \$6,619,850. The year to date difference is \$24,346,496 in the surcharge direction, with \$15,911,846 being deferred and \$8,434,650 being absorbed by the Company.

Actual power supply expense was higher than the authorized level primarily due to very low hydro generation and higher cost for natural gas fuel and thermal fuel for Colstrip and Kettle Falls. Hydro generation was 130 aMW below the authorized level. Both natural gas and thermal fuel expense were above the authorized levels. The average market purchase price was \$59.52/MWh and the average market sales price was \$59.90/MWh.

Coyote Springs 2 generated 9 aMW above the authorized level. Other gas fired resources generated 2 aMW below the authorized level due to economics. Colstrip and Kettle Falls generated 4 aMW above and 10 aMW below the authorized levels, respectively. Net transmission expense (transmission expense less transmission revenue) was above the authorized level. The average price of gas for Coyote Springs 2 was \$7.30/dth. Washington retail sales were 18 aMW above the authorized level.

In November 2007 the deferral balance increased by \$3,748,263. The November deferral amounted to \$5,957,865, interest amounted to \$246,395, and amortization amounted to -\$2,455,997. The actual deferral balance at the end of November is \$61.0 million. The deferral balance would reach zero in the November-December 2009 timeframe based on the following assumptions:

1. The current forecast of higher costs for December 2007 resulting in additional deferrals of \$0.7 million.
2. No deferrals beyond December 2007.
3. Forecasted amortizations assuming no change in the existing surcharge rate.

In order to recover the deferral balance by the end of 2008, using the same assumptions, the surcharge rate would need to be increased by approximately 194% on January 1, 2008 to approximately 19.1%. These projections are based on currently available forecasted information, which is periodically updated.

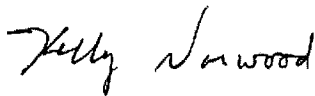
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At December 31, 2007 the deferral balance is forecasted to be \$58.8 million. By comparison, the annual amortization or recovery at the present surcharge rate is approximately \$31.3 million.

Interest is calculated pursuant to the Settlement Stipulation approved by the Commission's Fifth Supplemental Order in Docket No. UE-011595, dated June 18, 2002. Interest is applied to the average of the beginning and ending month deferral balances net of associated deferred federal income tax. The Company's weighted cost of debt is used as the interest rate. The interest rate is updated semi-annually and interest is compounded semi-annually. The January and July reports contain the supporting workpapers for the semi-annual updates of the weighted cost of debt used in the interest calculations.

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,



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