

Avista Corp.

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December 12, 2008

Mr. David Danner, Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

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RECEIVED
UTILITY AND TRANSPORTATION
COMMISSION

Re: Docket No. UE-011595, Monthly Power Cost Deferral Report, November 2008

Dear Mr. Danner:

Enclosed are an original and five copies of Avista Corporation's Power Cost Deferral Report for the month of November 2008. The report includes the monthly energy recovery mechanism (ERM) accounting journal together with backup workpapers. In November actual net power costs were lower than authorized costs by \$23,062. The year to date difference is \$12,000,484 in the surcharge direction, with \$4,800,436 being deferred and \$7,200,048 being absorbed by the Company.

Actual power supply expense was lower than the authorized level due primarily to lower loads. The lower expense due to lower loads was almost completely offset by the retail revenue adjustment resulting in a very small rebate deferral. Washington retail sales were 28 aMW below the authorized level.

Hydro generation was 42 aMW above the authorized level. The average market purchase price was \$43.88/MWh and the average market sales price was \$46.40/MWh. Coyote Springs 2 generated 19 aMW above the authorized level due to economics. The average Coyote Springs 2 gas price was \$7.80/dth. Colstrip and Kettle Falls generated 11 aMW above and 8 aMW below the authorized levels, respectively. Net transmission expense (transmission expense less transmission revenue) was below the authorized level.

In November 2008 the deferral balances decreased by \$2,193,656. The November deferral was a decrease of \$20,755, interest amounted to \$136,851, and amortization amounted to -\$2,309,752. The actual deferral balances at the end of November total \$37.4 million. The deferral balances would reach zero in the December 2009 timeframe based on the following assumptions:

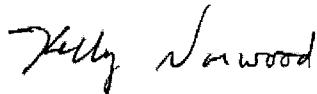
1. Projected deferral of -\$91,000 for December 2008. (Note: Actual hydro generation will depend on precipitation, temperatures and other variables during the remainder of the year.)
2. Projected deferrals of -\$3.960 million in 2009.
3. Forecasted amortizations of approximately \$31 million annually assuming no change in the existing surcharge rate.

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,

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

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