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February 16, 2010

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

Re: Docket No. UE-011595, Monthly Power Cost Deferral Report, January 2010

Dear Mr. Danner:

Enclosed are an original and five copies of Avista Corporation's Power Cost Deferral Report for the month of January 2010. The report includes the monthly energy recovery mechanism (ERM) accounting journal together with backup workpapers. In January actual net power costs were higher than authorized costs by \$1,284,866, which is within the \$4 M deadband. The deferral related to the Lancaster natural gas-fired generating plant amounted to \$1,219,688.

Actual power supply expense was higher than the authorized level due primarily to low hydro generation. Hydro generation was 100 aMW below the authorized level. The average purchase price was \$37.22/MWh compared to an authorized price of \$50.36/MWh. The average natural gas price for Coyote Springs 2 was \$5.27/dth compared to an authorized price of \$5.41/dth.

Colstrip and Kettle Falls generation was 10 aMW and 4 aMW above the authorized levels, respectively. Coyote Springs 2 generation was 21 aMW above the authorized level. The net transmission expense (transmission expense less transmission revenue) was above the authorized level. Washington retail sales were 87 aMW below the authorized level due to warm weather.

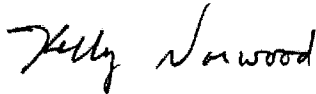
In January 2010 the ERM deferral balances decreased by \$3,205,144. The January deferral was zero, interest amounted to \$14,119, and amortization amounted to \$3,219,263. At the Open Meeting held on February 11, 2010, the Commission approved the elimination of the ERM surcharge, effective February 12, 2010. The Commission also approved the Company's Lancaster Accounting Petition by Order 01 in Docket UE-100080 dated February 11, 2010. The derivation of the Lancaster deferral is shown on page 19 of the attached report.

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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. Page 20 of the this report shows the calculation of the weighted cost of debt at December 30, 2009, which will be used for the January-June 2010 period.

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