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October 12, 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, September 2010

Dear Mr. Danner:

In September actual net power costs under the ERM were lower than authorized costs by \$2,808,410. The year-to-date difference is \$1,003,340 in the rebate direction, which is within the \$4 M deadband. No deferral entry is made when the difference is within the \$4 M deadband.

In September Lancaster related costs amounted to \$911,203 in the surcharge direction, with year-to-date costs totaling \$9,140,763 in the surcharge direction. No deferral entry was made for accounting purposes. If the Settlement Stipulation entered into in Docket Nos. UE-100467 and UG-100468 is approved by the WUTC, the total deferral for Lancaster for 2010 would be limited to \$6.8 million, and Avista will take the risk on any changes in ERM-related power supply costs for 2010. The Company will not record additional deferrals for the ERM, or Lancaster pending the WUTC's decision on the Settlement Stipulation.

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