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November 22, 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, October 2010

Dear Mr. Danner:

The Settlement Stipulation entered into in Docket Nos. UE-100467 and UG-100468 was approved by the WUTC in its Order 07 dated November 19, 2010. Under the Settlement Stipulation the total deferral for Lancaster for 2010 is limited to \$6.8 million, and Avista takes the risk on any changes in ERM-related power supply costs for 2010.

In October actual net power costs under the ERM were lower than authorized costs by \$3,585,391. The year-to-date difference is \$4,588,731 in the rebate direction. No deferral entry is made when the difference is within the \$4 M deadband. Absent the terms of the Settlement Stipulation, after the \$4 M deadband is exceeded in the rebate direction, 75% of the next \$6 M is deferred. Pursuant to the Settlement Stipulation, no deferral entry was made.

In October Lancaster related costs amounted to \$1,114,210 in the surcharge direction, with year-to-date costs totaling \$10,254,973 in the surcharge direction. Under the Settlement Stipulation the Company has absorbed approximately \$3.5 million of the Lancaster related costs (\$10.3 million minus \$6.8 million), and thus far there is a benefit from the ERM of approximately \$442,000 (75% of \$588,731) from the elimination of ERM deferrals for the Company.

There were no forward long-term contracts of one year or longer entered into in the month of October 2010. 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

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