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2010 DEC 13 AM 8:11



December 10, 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, November 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 November actual net power costs under the ERM were lower than authorized costs by \$3,665,090. The year-to-date difference is \$8,253,821 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 November Lancaster related costs amounted to \$1,190,487 in the surcharge direction, with year-to-date costs totaling \$11,445,460 in the surcharge direction. Under the Settlement Stipulation the Company has absorbed \$4,645,460 of the Lancaster related costs (\$11,445,460 minus \$6,800,000), and thus far there is a benefit from the ERM of \$3,190,366 (75% of \$4,253,821) 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 November 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 black ink that reads "Kelly Norwood". The signature is written in a cursive, flowing style.

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