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January 13, 2011

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, December 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 December actual net power costs under the ERM were lower than authorized costs by \$4,121,614. The year-to-date difference is \$12,375,435 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, and 10% of the amount over \$10 M is deferred. Pursuant to the Settlement Stipulation, no deferral entry was made. In December Lancaster related costs amounted to \$1,068,050 in the surcharge direction, with calendar year 2010 costs totaling \$12,513,511 in the surcharge direction.

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

2011 JAN 13 AM 8:08