

Avista Corp.  
1411 East Mission P.O. Box 3727  
Spokane, Washington 99220-3727  
Telephone 509-489-0500  
Toll Free 800-727-9170



October 17, 2012

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

RECEIVED  
REGULATORY MANAGEMENT  
2012 OCT 19 AM 8:02  
STATE OF WASHINGTON  
UTILITY AND TRANSPORTATION  
COMMISSION

Re: Docket No. UE-121403  
Deferred Costs Associated with the Palouse Wind Power Purchase Agreement  
and the Thornton 230 kV Switching Station  
Quarterly Report for the Third Quarter of 2012 Pursuant to WAC 480-100-435

Dear Mr. Danner:

Enclosed are an original and five copies of Avista Corporation's Quarterly Report for the third quarter of 2012 pertaining to deferred costs associated with the Palouse Wind Power Purchase Agreement and the Thornton 230kV Switching Station. On August 24, 2012 the Company notified the Commission of its intent to defer such costs pursuant to WAC 480-100-435. Section (3)(b) of WAC 480-100-435 requires the Company to file quarterly reports with the Commission documenting the balances of costs deferred.

The Company began recording deferred costs in September 2012. The deferral balance at September 30, 2012 amounts to \$23,752.65. The report includes a summary of the deferral balance as well as a copy of the journal for September 2012 and supporting workpapers. If you have any questions, please contact 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

AVISTA CORPORATION

STATE OF WASHINGTON

DOCKET NO. UE-121403

WAC 480-100-435

QUARTERLY DEFERRAL REPORT

DEFERRED COSTS ASSOCIATED WITH THE PALOUSE WIND  
POWER PURCHASE AGREEMENT AND THE THORNTON 230 KV  
SWITCHING STATION

THIRD QUARTER 2012

Detail Balances (AMISTA CORP) - 001.186810.ED.WA.DL					
Balance Type			Currency Type		
Actual			Total		
Period	Currency	PTD	PTD Converted	YTD	YTD Converted
201209	USD	23,752.65		23,752.65	

**Palouse Wind/Thornton Deferral Balance**  
**Account 186810.ED.WA**

	<u>Amount</u>	<u>Journal ID</u>
Balance 8/31/12	\$0.00	
Deferral	23,752.65	NSJ007 - Misc. Power Deferrals
Balance 9/30/12	<u>\$23,752.65</u>	
Power cost deferral (cost of test power below market value)	(\$2,231.35)	
Thornton switching station revenue requirement deferral	<u>25,984.00</u>	Note 1
Net deferral	<u>\$23,752.65</u>	

Note 1: This amount should have been prorated for the month of September based upon when test power began to be received, which was September 19. A correction will be made on the October journal to remove 18/30's, or \$15,590, of the deferred amount.

Detail Balances (AVISTA CORP) - 001 283810.ED.WA.DL					
Balance Type			Currency Type		
Actual			Total		
Period	Currency	PTD	PTD Converted	YTD	YTD Converted
201209	USD	8,313.43		8,313.43	

Journal Details

Summary Balances


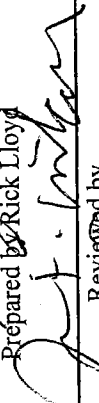
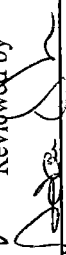
<b>DFIT Associated with Palouse Wind/Thornton Deferrals</b>	
<b>Account 283810.ED.WA</b>	
Account 186810.ED.WA balance	\$23,752.65
Federal income tax rate	-35%
Deferred FIT related to deferrals	<u><u>(\$8,313.43)</u></u>

**Avista Corporation Journal Entry**

Effective Date: 201209  
 Last Saved by: Rick Lloyd  
 Last Saved: 10/04/2012 3:14 PM  
 Submitted by: Rick Lloyd  
 Approval Requested: 10/04/2012 3:22 PM  
 Approved by:

Journal: NS1007 - Misc Power Deferrals  
 Team: Resource Accounting  
 Type: C  
 Category: NSJ  
 Currency: USD

Seq	Co.	FERC	Ser.	Jur.	S.L.	Debit	Credit	Comment
10	001	557270 - OTHER PWR SUPPLY EXP-OTHER EXP	ED	WA	DL	2,231.35		
20	001	407496 - DEF PALOUSE WIND & THORNTON SW ST	ED	WA	DL		25,984.00	
30	001	186810 - DEF PALOUSE WIND & THORNTON SW ST	ED	WA	DL	23,752.65		
<b>Totals:</b>						<b>25,984.00</b>	<b>25,984.00</b>	

  
 Prepared by: Rick Lloyd  
 Date: 10/4/12  
  
 Reviewed by:  
 Date: 10/4/12  
  
 Approved for Entry  
 Date: 10/4/12  
 Corporate Accounting use Only

Explanation:  
Record Misc Power Deferrals

Period	Sep-12	Oct-12	Nov-12	Dec-12	TOTAL
PPA 557270 ED WA	\$ (2,231.35)	\$ -	\$ -	\$ -	\$ (2,231.35)
Thornton 407496 ED WA	\$ 25,984.00	\$ -	\$ -	\$ -	\$ 25,984.00
Total 186810 ED WA	\$ 23,752.65	\$ -	\$ -	\$ -	\$ 23,752.65
add GL Wand bal check					

AVISTA CORP  
PALOUSE WIND DEFERRAL -WA

From Hourly DUMP HL/LL		ICE DAILY FIRM 7 x 16		\$1 Apprent Adder		Lesser of 80% Index or Contract price		Lesser of 80% Index or Contract price		Market Value		Market Value		DEF-WA	
DATE	Total Mwh's	FIRM ON-PEAK	FIRM OFF-PEAK	CONTRACT PRICE	FIRM ON-PEAK	FIRM OFF-PEAK	CONTRACT VALUE	FIRM ON-PEAK	FIRM OFF-PEAK	FIRM ON-PEAK	FIRM OFF-PEAK	TOTAL @ MKT	TOTAL	DEF-WA	DEF-WA
09-01-2012	0	23.13	21.49	\$ 53.95	18.50	\$ 17.19	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-02-2012	0		21.49	\$ 53.95	-	\$ 17.19	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-03-2012	0		23.32	\$ 53.95	-	\$ 18.66	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-04-2012	0	28.31	23.32	\$ 53.95	22.65	\$ 18.66	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-05-2012	0	27.86	20.43	\$ 53.95	22.29	\$ 16.34	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-06-2012	0	28.86	20.43	\$ 53.95	23.09	\$ 16.34	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-07-2012	0	26.19	21.59	\$ 53.95	20.95	\$ 17.27	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-08-2012	0	26.19	21.59	\$ 53.95	20.95	\$ 17.27	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-09-2012	0	21.76	20.19	\$ 53.95	17.41	\$ 16.15	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-10-2012	0	25.05	22.07	\$ 53.95	20.04	\$ 17.66	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-11-2012	0	26.29	22.94	\$ 53.95	21.03	\$ 18.35	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-12-2012	0	29.65	24.28	\$ 53.95	23.72	\$ 19.42	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-13-2012	0	25.69	22.85	\$ 53.95	20.55	\$ 18.28	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-14-2012	0	25.69	22.85	\$ 53.95	20.55	\$ 18.28	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-15-2012	0	25.69	22.85	\$ 53.95	20.55	\$ 18.28	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-16-2012	0	26.53	25.73	\$ 53.95	21.22	\$ 20.58	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-17-2012	0	26.53	25.73	\$ 53.95	21.22	\$ 20.58	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-18-2012	0	26.61	25.18	\$ 53.95	21.29	\$ 20.14	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
09-19-2012	1	26.15	25.14	\$ 53.95	20.92	\$ 20.11	\$ 21.92	\$ 21.92	\$ 26.15	\$ 0.00	\$ 0.00	\$ 26.15	\$ 0.00	\$ 4.23	\$ 8.20
09-20-2012	2	25.51	24.82	\$ 53.95	20.41	\$ 19.86	\$ 42.82	\$ 42.82	\$ 51.02	\$ 0.00	\$ 0.00	\$ 51.02	\$ 0.00	\$ 18.34	\$ 130.97
09-21-2012	5	23.74	22.75	\$ 53.95	18.99	\$ 18.20	\$ 703.87	\$ 703.87	\$ 379.84	\$ 455.00	\$ 834.84	\$ 1,047.20	\$ 1,047.20	\$ 165.44	\$ 372.70
09-22-2012	36	23.74	22.75	\$ 53.95	18.99	\$ 18.20	\$ 81.76	\$ 81.76	\$ 98.76	\$ 47.60	\$ 146.36	\$ 1,047.20	\$ 1,047.20	\$ 23.27	\$ 12.07
09-23-2012	44	24.69	23.8	\$ 53.95	19.75	\$ 19.04	\$ 123.09	\$ 123.09	\$ 1,867.20	\$ 511.29	\$ 2,378.49	\$ 2,378.49	\$ 2,378.49	\$ 24.33	\$ 308.39
09-24-2012	6	23.34	22.23	\$ 53.95	18.67	\$ 17.78	\$ 2,005.79	\$ 2,005.79	\$ 50.84	\$ 24.50	\$ 75.34	\$ 2,378.49	\$ 2,378.49	\$ 24.33	\$ 1,520.11
09-25-2012	103	25.42	24.5	\$ 53.95	20.34	\$ 19.60	\$ 63.27	\$ 63.27	\$ 102.52	\$ 49.14	\$ 151.66	\$ 2,378.49	\$ 2,378.49	\$ 24.33	\$ 836.36
09-26-2012	3	25.69	24.57	\$ 53.95	20.50	\$ 19.66	\$ 127.33	\$ 127.33	\$ 1,794.10	\$ 122.85	\$ 1,916.95	\$ 2,378.49	\$ 2,378.49	\$ 24.33	\$ 1,520.11
09-27-2012	6	25.63	24.57	\$ 53.95	20.50	\$ 19.66	\$ 1,608.56	\$ 1,608.56	\$ 7,263.97	\$ 2,201.60	\$ 9,465.57	\$ 9,465.57	\$ 9,465.57	\$ 24.33	\$ 836.36
09-28-2012	75	25.31	25.6	\$ 53.95	20.25	\$ 20.48	\$ 7,945.46	\$ 7,945.46	\$ 0.00	\$ 5,196.80	\$ 5,196.80	\$ 9,465.57	\$ 9,465.57	\$ 24.33	\$ 836.36
09-29-2012	373	25.31	25.6	\$ 53.95	20.25	\$ 20.48	\$ 4,360.44	\$ 4,360.44	\$ 11,705.62	\$ 9,701.48	\$ 21,407.10	\$ 21,407.10	\$ 21,407.10	\$ 24.33	\$ 836.36
09-30-2012	203		25.6	\$ 53.95		\$ 20.48	\$ 17,982.68	\$ 17,982.68							
TOTAL	857		TOTAL												
Check	0														

Price can't be less \$1	Should =PTR
\$53.95/8=\$67.44 Mkt break even	
Power Deal 196552, data element 24202, Short Name PAL TEST WIND	Def (+)=557270 ED WA \$ 2,231.35
Power Deal 181462, data element 23881, Short Name PAL WIND	Def (-)=557270 ED WA \$ -
	Offset 186810 ED WA \$(2,231.35)
	\$



# Power Transaction Register

Profit Center: POWER  
 Contract Month: 201209  
 Direction: ALL  
 Counterparty: Palouse Wind, LLC  
 Term Type: ALL  
 Deal Type: ALL  
 Company Deal Type Exclusions Maintenance Form?: Y

AU

## PURCHASES

Beg Day	End Day	Trader	Term Type	Deal #	Point Code	FERC Product	Strategy	Contracted Volume	Actual Volume	Price	Total \$'s
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### NON-INTERCOMPANY

Palouse Wind, LLC

POWER											
Beg Day	End Day	Trader	Term Type	Deal #	Point Code	FERC Product	Strategy	Contracted Volume	Actual Volume	Price	Total \$'s
12	30	Silkworth	LT	196552	AVST CORP	Energy	Sys Opt	.000	23.000	\$18.784	432.03
12	30	Silkworth	LT	196552	AVST CORP	Energy	Sys Opt	.000	22.000	\$19.200	422.40
12	30	Silkworth	LT	196552	AVST CORP	Energy	Sys Opt	.000	80.000	\$19.672	1,573.76
12	30	Silkworth	LT	196552	AVST CORP	Energy	Sys Opt	.000	19.000	\$19.992	379.85
12	30	Silkworth	LT	196552	AVST CORP	Energy	Sys Opt	.000	46.000	\$20.040	921.84
12	30	Silkworth	LT	196552	AVST CORP	Energy	Sys Opt	.000	1.000	\$20.600	20.60
12	30	Silkworth	LT	196552	AVST CORP	Energy	Sys Opt	.000	7.000	\$20.656	144.59
12	30	Silkworth	LT	196552	AVST CORP	Energy	Sys Opt	.000	4.000	\$20.752	83.01
12	30	Silkworth	LT	196552	AVST CORP	Energy	Sys Opt	.000	287.000	\$21.248	6,098.18
12	30	Silkworth	LT	196552	AVST CORP	Energy	Sys Opt	.000	2.000	\$21.336	42.67
12	30	Silkworth	LT	196552	AVST CORP	Energy	Sys Opt	.000	2.000	\$21.408	42.82
12	30	Silkworth	LT	196552	AVST CORP	Energy	Sys Opt	.000	289.000	\$21.480	6,207.72
2	30	Silkworth	LT	196552	AVST CORP	Energy	Sys Opt	.000	74.000	\$21.504	1,591.30
12	30	Silkworth	LT	196552	AVST CORP	Energy	Sys Opt	.000	1.000	\$21.920	21.92
<b>196552 Total:</b>								<b>.000</b>	<b>857.000</b>		<b>17,982.68</b>
<b>POWER Total:</b>								<b>.000</b>	<b>857.000</b>		<b>17,982.68</b>

PAL WIND Total: .000 857.000 17,982.68

**NON-INTERCOMPANY TOTAL: .000 857.000 17,982.68**

**TOTAL PURCHASES: .000 857.000 17,982.68**



"Attachment B"

Avista Utilities  
 Thornton 230kV Switching Station  
 Projected Revenue Requirement  
For the First Twelve Months in Service

Line

No. Washington Authorized Rate of Return in UE-100467 & UG-100468

	Capital		Weighted
Component	Structure	Cost	Cost
1 Debt	53.50%	5.93%	3.17%
2 Equity	46.50%	10.20%	4.74%
3 Total	100.00%		7.92%

Effective 12/1/2010. This is the most recent case that specified a rate of return and debt and equity components.

4	Gross plant - assumed in service mid-September 2012		\$3,308,588	
5	Accumulated depreciation		-68,157	
6	Accumulated deferred income tax		-78,784 (1)	
7	Rate base 12 months after being placed in service		\$3,161,647	
8	Average rate base		\$3,235,117	
9	Rate of return		7.92%	
10	Return requirement		\$256,077	
11	Depreciation expense	0.0206	68,157	
12	Property tax	0.015	49,629	
13	FIT benefit of depreciation and property tax		-41,225	
14	FIT benefit of interest		-35,923	
15	Total net operating income requirement		\$296,716	
16	Net to gross conversion factor - WA		0.620815	
17	Total revenue requirement - first twelve months		\$477,945	
18	Washington allocation		65.24%	2012
19	Washington portion of revenue requirement		\$311,811	
20	Monthly Washington revenue requirement		\$25,984	Cr 407496 ED WA, Db 186810 ED WA

(1) Calculation of accumulated deferred income tax after twelve months

21	2012 tax depreciation - 3.5 months	0.0375	\$124,072
22	2013 tax depreciation - 8.5 months	0.07219	\$169,183
23	Less book depreciation for 12 months		-68,157
24	Tax depreciation in excess of book depreciation		\$225,098
25	Federal income tax rate		0.35
26	Accumulated deferred income tax at end of 12 months		-\$78,784

Project Transactions Accounting Period : <All> , Task Number : <All> \* \*Transation Data is available beginning January 2005

Accounting  
 Period: <All>  
 Task Number: <All>

Er	Er Desc	Project Number	Summary Exp Category	Transaction Amt SUM
2545	Thornton 230 kV Switching Station - Construct	02805725	Labor	614,468.85
			Non-Labor	1,795,515.49
			Total for 02805725	2,409,984.34
		02805726	Labor	34,116.54
			Non-Labor	180,472.51
			Total for 02805726	214,589.05
		02805749	Labor	6,365.01
			Non-Labor	63,655.83
			Total for 02805749	70,020.84
		02805794	Labor	381.45
			Non-Labor	11,501.79
			Total for 02805794	11,883.24
		28005005	Labor	6,744.89
			Non-Labor	78,794.13
			Total for 28005005	85,539.02
		28005006	Labor	17,992.50
			Non-Labor	151,199.80
			Total for 28005006	169,192.30
		92305130	Labor	508.58
			Non-Labor	661.02
			Total for 92305130	1,169.60
		Total for Thornton 230 kV Switching Station - Construct		2,962,378.39
Total				2,962,378.39

Breaker 346,210.00  
 Total Thornton \$ 3,308,588.39