

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



March 14, 2014

Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

RECEIVED
PROGRAM MANAGEMENT
2014 MAR 17 AM 7:49
STATE OF WASH.
UTIL. AND TRANS.
COMMISSION

Re: Docket No. UE-011595, Monthly Power Cost Deferral Report,
February 2014

Dear Mr. King:

Enclosed are an original and five copies of Avista Corporation's Power Cost Deferral Report for the month of February 2014.

The report includes the monthly energy recovery mechanism (ERM) accounting journal together with backup workpapers (Attachment A). In February, actual net power costs were greater than authorized costs by \$3,447,776. Year-to-date actual net power costs were greater than authorized costs by \$1,927,864, which is within the \$4 million deadband, therefore there is no ERM deferral at February 28, 2014.

In Order 09, Docket UE-120436, the Company was authorized to return a portion of the accumulated ERM deferral balance to customers effective January 1, 2013. Total rebate revenue amounted to \$882,520 for the month of February 2014. After adjusting for revenue-sensitive expenses, \$842,895 of amortization of the deferral balance was recorded.

Actual net power costs for February 2014 were greater than the authorized level due primarily to higher loads due to cold weather and high power and natural gas prices. Colstrip generation was 13 aMW above the authorized level. Hydro generation was 2 aMW above the authorized level. Kettle Falls generation was 16 aMW below the authorized level. Natural gas-fired generation was 48 aMW above the authorized level.

The average power purchase price was \$56.35/MWh compared to an authorized price of \$28.74/MWh. The average natural gas purchase price was \$5.48/dth compared to an authorized price of \$3.31/dth. The net transmission expense (transmission expense less transmission revenue) was above the authorized level. Washington retail sales were 6 aMW above the authorized level.

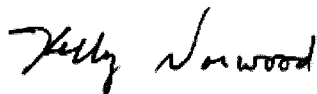
The report also includes the monthly renewable energy credits (REC) accounting journal together with backup workpapers (Attachment B). In February 2014, actual net REC revenues were more than authorized revenues by \$75,298. The Company records 100% of the net REC revenues in a separate deferral account per Order 09, Docket UE-120436.

Interest is calculated pursuant to the Settlement Stipulation approved by the Commission's Fifth Supplemental Order in Docket No. UE-011595, dated June 18, 2002. Interest is applied to the average of the beginning and ending month deferral balances net of associated deferred federal income tax. The Company's weighted cost of debt is used as the interest rate. The interest rate is updated semi-annually and interest is compounded semi-annually. The January and July reports contain the supporting workpapers for the semi-annual updates of the weighted cost of debt used in the interest calculations. Page 30 of the report for January 2014 shows the calculation of the weighted cost of debt at December 31, 2013, which is used for the January through June 2014 period.

There was one forward long-term power contract executed in February 2014 and has been provided in Attachment C.

If you have any questions, please contact Bill Johnson at (509) 495-4046 or Jeanne Pluth at (509) 495-2204.

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

JP

Enclosure

C: Mary Kimball, S. Bradley Van Cleve

AVISTA CORPORATION
STATE OF WASHINGTON
DOCKET NO. UE-011595
POWER COST DEFERRAL REPORT

MONTH OF FEBRUARY 2014

RECEIVED
RECORDS MANAGEMENT

2014 MAR 17 AM 7:49

STATE OF WASH.
UTIL. AND TRANS.
COMMISSION

Page Items: Statind: DL Fere Acct: 186280

▶ Service	▶ Jurisdiction	▶ Accounting Period	▶ Beginning Balance	▶ Monthly Activity	▶ Ending Balance
ED	WA	201302	0.00	0.00	0.00
ED	WA	201303	0.00	0.00	0.00
ED	WA	201304	0.00	-42,157.00	-42,157.00
ED	WA	201305	-42,157.00	-639,821.00	-681,978.00
ED	WA	201306	-681,978.00	251,774.00	-430,204.00
ED	WA	201307	-430,204.00	424,037.00	-6,167.00
ED	WA	201308	-6,167.00	6,167.00	0.00
ED	WA	201309	0.00	0.00	0.00
ED	WA	201310	0.00	0.00	0.00
ED	WA	201311	0.00	0.00	0.00
ED	WA	201312	0.00	1,256,447.00	1,256,447.00
ED	WA	201401	1,256,447.00	-1,247,407.00	9,040.00
ED	WA	201402	9,040.00	-9,040.00	0.00

ERM Deferral Balance (Current Year - 2014)			
Account 186280.ED.WA		Amount	Journal ID
Balance 1/31/2014		\$9,040.00	
Deferral - Current Month		0.00	481 - WA ERM
Interest - Current Month		0.00	481 - WA ERM
Transfer to 186290	(1)	-9,040.00	481 - WA ERM
Balance 02/28/14		\$0.00	
Year to date deferrals		\$0.00	
Year to date interest		0.00	
Balance in account		\$0.00	
	Total	Absorbed	Deferred
First \$4,000,000 at 100%	\$1,927,864.00	\$1,927,864.00	\$0.00
\$4,000,000 to \$10,000,000 at 50%	0.00	0.00	0.00
Over \$10,000,000 at 10%	0.00	0.00	0.00
Total	\$1,927,864.00	\$1,927,864.00	\$0.00

(1) True-up of Colstrip 70% availability recorded in January 2014 for 2013 liability. Balance was transferred to Account 186290 in February 2014.

Page Items: Statind: DL Ferc Acct: 186290

▶ Service	▶ Jurisdiction	▶ Accounting Period	▶ Beginning Balance	▶ Monthly Activity	▶ Ending Balance
ED	WA	201302	-8,783,727.00	-136,735.00	-8,920,462.00
ED	WA	201303	-8,920,462.00	-108,326.14	-9,028,788.14
ED	WA	201304	-9,028,788.14	-27,677.00	-9,056,465.14
ED	WA	201305	-9,056,465.14	-27,677.00	-9,084,142.14
ED	WA	201306	-9,084,142.14	-27,677.00	-9,111,819.14
ED	WA	201307	-9,111,819.14	-28,222.00	-9,140,041.14
ED	WA	201308	-9,140,041.14	-28,052.00	-9,168,093.14
ED	WA	201309	-9,168,093.14	-28,137.00	-9,196,230.14
ED	WA	201310	-9,196,230.14	-28,137.00	-9,224,367.14
ED	WA	201311	-9,224,367.14	-28,137.00	-9,252,504.14
ED	WA	201312	-9,252,504.14	-28,137.00	-9,280,641.14
ED	WA	201401	-9,280,641.14	1,235,876.00	-8,044,765.14
ED	WA	201402	-8,044,765.14	9,319,254.14	1,274,489.00

ERM Deferral Balance (Prior year - 2013)			
<u>Account 186290.ED.WA</u>		Amount	Journal ID
Balance 1/31/2014		-\$8,044,765.14	
Interest - Current Month		3,680.00	481 - WA ERM
Interest - Correction from Jan 2014	(1)	-1,550.00	481 - WA ERM
Transfer from 186280		9,040.00	481 - WA ERM
Transfer to 182350		9,308,084.14	481 - WA ERM
Balance 02/28/14		<u>\$1,274,489.00</u>	

(1) Interest was understated in January 2014. This was corrected in February 2014.

Page Items: Statind: DL Ferc Acct: 182350

▶ Service	▶ Jurisdiction	▶ Accounting Period	▶ Beginning Balance	▶ Monthly Activity	▶ Ending Balance
ED	WA	201302	-13,361,105.00	369,570.00	-12,991,535.00
ED	WA	201303	-12,991,535.00	314,872.00	-12,676,663.00
ED	WA	201304	-12,676,663.00	302,076.00	-12,374,587.00
ED	WA	201305	-12,374,587.00	287,610.00	-12,086,977.00
ED	WA	201306	-12,086,977.00	285,518.00	-11,801,459.00
ED	WA	201307	-11,801,459.00	292,909.00	-11,508,550.00
ED	WA	201308	-11,508,550.00	326,836.00	-11,181,714.00
ED	WA	201309	-11,181,714.00	319,218.00	-10,862,496.00
ED	WA	201310	-10,862,496.00	304,514.00	-10,557,982.00
ED	WA	201311	-10,557,982.00	295,773.00	-10,262,209.00
ED	WA	201312	-10,262,209.00	382,815.00	-9,879,394.00
ED	WA	201401	-9,879,394.00	546,382.00	-9,333,012.00
ED	WA	201402	-9,333,012.00	-8,518,899.14	-17,851,911.14

Recoverable Deferral Balance			
Account 182350.ED.WA			
		<u>Amount</u>	<u>Journal ID</u>
Balance 1/31/2014		-\$9,333,012.00	
Surcharge Amortization		842,895.00	481 - WA ERM
Interest		-53,710.00	481 - WA ERM
Transfer from 186290		-9,308,084.14	481 - WA ERM
Balance 02/28/14		-\$17,851,911.14	

Page Items: Statind: DL Ferc Acct: 283280

▶ Service	▶ Jurisdiction	▶ Accounting Period	▶ Beginning Balance	▶ Monthly Activity	▶ Ending Balance
ED	WA	201302	7,750,692.08	-81,492.25	7,669,199.83
ED	WA	201303	7,669,199.83	-72,291.05	7,596,908.78
ED	WA	201304	7,596,908.78	-81,284.70	7,515,624.08
ED	WA	201305	7,515,624.08	132,960.80	7,648,584.88
ED	WA	201306	7,648,584.88	-178,365.25	7,470,219.63
ED	WA	201307	7,470,219.63	-241,053.40	7,229,166.23
ED	WA	201308	7,229,166.23	-106,732.85	7,122,433.38
ED	WA	201309	7,122,433.38	-101,878.35	7,020,555.03
ED	WA	201310	7,020,555.03	-96,731.95	6,923,823.08
ED	WA	201311	6,923,823.08	-93,672.60	6,830,150.48
ED	WA	201312	6,830,150.48	-563,893.75	6,266,256.73
ED	WA	201401	6,266,256.73	-187,197.85	6,079,058.88
ED	WA	201402	6,079,058.88	-276,960.25	5,802,098.63

DFIT Associated with ERM Deferrals	
Account 283280.ED.WA	
Account 186280.ED.WA balance	\$0.00
Account 186290.ED.WA balance	1,274,489.00
Account 182350.ED.WA balance	-17,851,911.14
Total	-\$16,577,422.14
Federal income tax rate	-35%
Deferred FIT related to deferrals	\$5,802,098
Rounding	1
Balance that should be in account - Feb 28, 2014	\$5,802,099

Page Items: Statind: DL Ferc Acct: 186322

▶ Service	▶ Jurisdiction	▶ Accounting Period	▶ Beginning Balance	▶ Monthly Activity	▶ Ending Balance
ED	WA	201302	-248,723.00	-115,804.81	-364,527.81
ED	WA	201303	-364,527.81	-62,201.00	-426,728.81
ED	WA	201304	-426,728.81	-261,163.00	-687,891.81
ED	WA	201305	-687,891.81	-268,647.00	-956,538.81
ED	WA	201306	-956,538.81	-184,694.00	-1,141,232.81
ED	WA	201307	-1,141,232.81	-1,149.00	-1,142,381.81
ED	WA	201308	-1,142,381.81	58,343.00	-1,084,038.81
ED	WA	201309	-1,084,038.81	8,437.00	-1,075,601.81
ED	WA	201310	-1,075,601.81	-197,447.00	-1,273,048.81
ED	WA	201311	-1,273,048.81	-36,192.00	-1,309,240.81
ED	WA	201312	-1,309,240.81	-297,707.00	-1,606,947.81
ED	WA	201401	-1,606,947.81	82,083.00	-1,524,864.81
ED	WA	201402	-1,524,864.81	-79,905.00	-1,604,769.81

REC Deferral Balance		
Account 186322.ED.WA	Amount	Journal ID
Balance 1/31/2014	-\$1,524,864.81	
Deferral	-75,298.00	475 - WA REC DEFERRAL
Interest	-4,607.00	475 - WA REC DEFERRAL
Balance 02/28/14	-\$1,604,769.81	
Balance 1/1/2014	-\$1,606,948	
Year to date deferrals	11,409	
Year to date interest	-9,231	
Balance in account	-\$1,604,770	

Page Items: Statind: DL Fero Acct: 283305

▶ Service	▶ Jurisdiction	▶ Accounting Period	▶ Beginning Balance	▶ Monthly Activity	▶ Ending Balance
ED	WA	201302	87,053.05	40,531.68	127,584.73
ED	WA	201303	127,584.73	21,770.35	149,355.08
ED	WA	201304	149,355.08	91,407.05	240,762.13
ED	WA	201305	240,762.13	94,026.45	334,788.58
ED	WA	201306	334,788.58	64,642.90	399,431.48
ED	WA	201307	399,431.48	402.15	399,833.63
ED	WA	201308	399,833.63	-20,420.05	379,413.58
ED	WA	201309	379,413.58	-3,663.95	375,749.63
ED	WA	201310	375,749.63	69,817.45	445,567.08
ED	WA	201311	445,567.08	12,667.20	458,234.28
ED	WA	201312	458,234.28	104,197.45	562,431.73
ED	WA	201401	562,431.73	-28,729.05	533,702.68
ED	WA	201402	533,702.68	27,966.75	561,669.43

DFIT Associated with REC Deferrals	
<u>Account 283305.ED.WA</u>	
Account 186322.ED.WA balance	-\$1,604,769.81
Total	-1,604,769.81
Federal income tax rate	-35%
Deferred FIT related to deferrals	\$561,669
Rounding	0
Balance that should be in account - Feb 28, 2014	\$561,669

Attachment A

Avista Corporation
Monthly Power Cost Deferral Report
Month of February 2014

ERM Deferral Journal

Avista Corporation Journal Entry

Effective Date: 201402

Journal: 481-WA ERM

Team: Resource Accounting

Last Saved by: Gina Armstrong

Last Saved: 03/06/2014 2:26 PM

Type: C

Submitted by: Gina Armstrong

Approval Requested: 03/06/2014 2:26 PM

Category: DJ

Approved by:

Currency: USD

Seq	Co.	FERC	Set	Jul.	S/L	Debit	Credit	Comment
10	001	186290 - REGULATORY ASSET ERM DEFERRED LAST YEAR	ED	WA	DL	3,680.00		Prior Year's (2013) Interest Accrual
20	001	431600 - INTEREST EXPENSE ENERGY DEFERRALS	ED	WA	DL		3,680.00	Prior Year's (2013) Interest Income
30	001	182350 - REGULATORY ASSET ERM APPROVED FOR RECOVERY	ED	WA	DL	842,895.00		Current Amortization
40	001	557290 - WA ERM AMORTIZATION	ED	WA	DL		842,895.00	Current Amortization Expense
50	001	182350 - REGULATORY ASSET ERM APPROVED FOR RECOVERY	ED	WA	DL		53,710.00	Interest Accrual for Amortization Balance
60	001	431600 - INTEREST EXPENSE ENERGY DEFERRALS	ED	WA	DL	53,710.00		Interest Expense on Amortization Balance
70	001	186280 - REGULATORY ASSET ERM DEFERRED CURRENT YEAR	ED	WA	DL		0.00	Current Year ERM (2014)
80	001	557280 - DEFERRED POWER SUPPLY EXPENSE	ED	WA	DL	0.00		Current Year ERM Deferral Expense (2014)
90	001	186280 - REGULATORY ASSET ERM DEFERRED CURRENT YEAR	ED	WA	DL		0.00	Current Year ERM Interest Accrual (2014)
100	001	431600 - INTEREST EXPENSE ENERGY DEFERRALS	ED	WA	DL			Current Year ERM Interest Expense (2014)
110	001	186290 - REGULATORY ASSET ERM DEFERRED LAST YEAR	ED	WA	DL	22,173.00		Reverse January Interest from Prior Year Balance
120	001	431600 - INTEREST EXPENSE ENERGY DEFERRALS	ED	WA	DL		22,173.00	Reverse January Interest Expense from Prior Year Balance
130	001	186290 - REGULATORY ASSET ERM DEFERRED LAST YEAR	ED	WA	DL	9,280,641.14		Transfer prior year ERM (2012) balance to 182350 ERM Amort
140	001	182350 - REGULATORY ASSET ERM APPROVED FOR RECOVERY	ED	WA	DL		9,280,641.14	Transfer prior year ERM(2012) balance from 186290 ERM Amort
150	001	182350 - REGULATORY ASSET ERM APPROVED FOR RECOVERY	ED	WA	DL		27,443.00	Correct - January Interest Accrual from Prior Year ERM (2012)
160	001	431600 - INTEREST EXPENSE ENERGY DEFERRALS	ED	WA	DL	27,443.00		Correct - January Interest Expense from Prior Year ERM (2012)
170	001	186290 - REGULATORY ASSET ERM DEFERRED LAST YEAR	ED	WA	DL	3,720.00		Correct - January Interest Accrual from Prior Year ERM (2013)
180	001	419600 - INTEREST ON ENERGY DEFERRALS	ED	WA	DL		3,720.00	Correct - January Interest Income from Prior Year ERM (2013)
190	001	186280 - REGULATORY ASSET ERM DEFERRED CURRENT YEAR	ED	WA	DL		9,040.00	Transfer Colstrip Outage True-Up to 186290 Prior Year ERM (2013)

Avista Corporation Journal Entry

Effective Date: 201402

Journal: 481-WA ERM

Team: Resource Accounting

Last Saved by: Gina Armstrong

Last Saved: 03/06/2014 2:26 PM
Approval Requested: 03/06/2014 2:26 PM

Type: C



Submitted by: Gina Armstrong

Category: DJ

Approved by:

Currency: USD

Seq	Co	FERC	SEL	JUL	S.L.	Debit	Credit	Comment
200	001	186290 - REGULATORY ASSET ERM DEFERRED	ED	WA	DL	9,040.00		Transfer Colstrip Outage True-Up from Current Year
		LAST YEAR						186280 (2014)
Totals:						10,243,302.14	10,243,302.14	


 Prepared by: Gina Armstrong

 Reviewed by: _____
 Date: 3/6/14
 Date: 3/6/14

Approved for Entry _____
 Corporate Accounting use Only
 Date _____

Explanation:
 Record current month deferred power supply costs, and interest per WA accounting order.

Avista Corp. - Resource Accounting
 Washington Energy Recovery Mechanism (ERM) Current Year Deferral

Changes Semiannually on January 1 and July 1

The rate is based on Avista's actual cost of debt, updated semiannually.

The actual cost of debt calculated at 6/30 will be used for the interest calculation from July through December.

The actual cost of debt calculated at 12/31 will be used for the interest calculation from January through June.

Interest will be accrued monthly and compounded semi-annually.

Interest is calculated using the prior month ending balance plus 1/2 month of current month charges times the current after tax interest rate

Actual cost of debt at 12/31/13 is	5.459%	Actual cost of debt at 06/30/14 is	
The monthly rate is:	0.00455 Before Tax	The monthly rate is:	0.00000 Before Tax
	0.0029570 After Tax		0.0000000 After Tax
	35.00% Tax rate		35.00% Tax rate

Account 186280

0

				<u>January</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
January	ERM Deferral	0		Deferral	0 Operating	0
January	Interest	0	0	Interest	0 Nonoperating	0
	01-31-2014 Balance before interest	0			0 Total	0
				<u>February</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
February	ERM Deferral	0		Deferral	0 Operating	0
February	Interest	0	0	Interest	0 Nonoperating	0
	02-28-2014 Balance before interest	0			0 Total	0
				<u>March</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
March	ERM Deferral	0		Deferral	0 Operating	0
March	Interest	0	0	Interest	0 Nonoperating	0
	03-31-2014 Balance before interest	0			0 Total	0
				<u>April</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
April	ERM Deferral	0		Deferral	0 Operating	0
April	Interest	0	0	Interest	0 Nonoperating	0
	04-30-2014 Balance before interest	0			0 Total	0
				<u>May</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
May	ERM Deferral	0		Deferral	0 Operating	0
May	Interest	0	0	Interest	0 Nonoperating	0
	05-31-2014 Balance before interest	0			0 Total	0
				<u>June</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
June	ERM Deferral	0		Deferral	0 Operating	0
June	Interest	0	0	Interest	0 Nonoperating	0
	06-30-2014 Balance before interest	0			0 Total	0
	GL Balance including interest	0				
	interest related to WNP-3	0	0			
	GL Balance including interest	0				
				<u>July</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
July	ERM Deferral	0		Deferral	0 Operating	0
July	Interest	0	0	Interest	0 Nonoperating	0
	07-31-2014 Balance before interest	0			0 Total	0
				<u>August</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
August	ERM Deferral	0		Deferral	0 Operating	0
August	Interest	0	0	Interest	0 Nonoperating	0
	08-31-2014 Balance before interest	0			0 Total	0
				<u>September</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
September	ERM Deferral	0		Deferral	0 Operating	0
September	Interest	0	0	Interest	0 Nonoperating	0
	09-30-2014 Balance before interest	0			0 Total	0
				<u>October</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
October	ERM Deferral	0		Deferral	0 Operating	0
October	Interest	0	0	Interest	0 Nonoperating	0
	10-31-2014 Balance before interest	0			0 Total	0
				<u>November</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
November	ERM Deferral	0		Deferral	0 Operating	0
November	Interest	0	0	Interest	0 Nonoperating	0
	11-30-2014 Balance before interest	0			0 Total	0
				<u>December</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
December	ERM Deferral	0		Deferral	0 Operating	0
December	Interest	0	0	Interest	0 Nonoperating	0
	12-31-2014 Balance before interest	0				
	12-31-2014 Balance with interest	0				

Electric Revenue Report by Revenue Class
 Current Month and Year-to-Date
 for Accounting Period : 201402 , State Code : WA

Accounting Period	201402	State Code	WA
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REVENUE CLASS	Meters	Usage	Revenue Amt	YTD Average Meters	Ytd Usage
01 RESIDENTIAL	215,682	276,546,265	25,450,588	215,588	577,999,694
18 THEFT OF SERVICE-ELECTRIC	0	0	2,618	0	0
21 FIRM COMMERCIAL	23,623	187,778,949	18,085,288	23,622	379,187,235
31 FIRM- INDUSTRIAL	355	78,782,707	4,870,289	357	156,221,216
39 FIRM-PUMPING-IRRIGATION ONLY	573	346,765	38,667	574	726,366
51 LIGHTING-PUBLIC STREET AND HIWAY	384	1,367,919	423,938	385	2,746,870
61 ENERGY EXCHANGE-RESIDENTIAL	0	0	0	0	0
80 INTERDEPARTMENT REVENUE	58	893,601	83,636	58	1,866,567
83 MISC-SERVICE REVENUE SNP	0	0	24,527	0	0
85 MISC-RENT FROM ELECTRIC PROPERTY	0	0	24,442	0	0
Total WA	240,675	545,716,206	49,003,993	240,583	1,118,747,948
Total WA	240,675	545,716,206	49,003,993	240,583	1,118,747,948

Reporting Period: 02/01/2014 to 02/28/2014, Electric, Revenue Class LIKE :REVENUE CLASS, Source Id IN ('REVCCSS','REVCORR','REVHBL','REVCAE','REVCORRR')

04-MAR-14 12.03.48 PM

Page 1 of

ELECTRIC UNBILLED KWH AND REVENUE									
ACCOUNT DESCRIPTION	TOWN	REVENUE CLASS CODE	RATE SICH	Current Gross Unbilled KWH	Current Gross Unbilled REVENUE	Prior Month Reversal KWH	Prior Month Reversal REVENUE	Net Change KWH	Net Change REVENUE
WASHINGTON									
Residential Service	2800	01	001	145,410.145	\$ 12,641.155	(159,559.843)	\$ (13,982,997)	(13,246,697)	\$ (1,141,832)
Residential Farm Gen	2800	01	012	3,601.771	\$ 466,464	(3,786,297)	\$ (487,538)	(1,917,993)	\$ (19,064)
Residential Farm Lg	2800	01	022	2,190.766	\$ 167,404	(2,311,025)	\$ (178,668)	(1,202,755)	\$ (8,152)
Residential Farm Pump	2800	01	032	140,827	\$ 21,307	(169,381)	\$ (21,984)	(10,954)	\$ (577)
Commercial General	2800	21	011	27,440.299	\$ 3,117,064	(28,738,412)	\$ (3,266,993)	(1,298,113)	\$ (149,629)
Commercial Lg General	2800	21	021	59,226.002	\$ 4,895,645	(61,042,995)	\$ (4,808,904)	(1,817,993)	\$ (113,359)
Commercial Extra Lg	2800	21	025	22,958.027	\$ 1,453,037	(26,708,447)	\$ (1,648,647)	(3,752,420)	\$ (96,810)
Commercial Pump	2800	21	031	1,806,563	\$ 199,516	(1,832,081)	\$ (185,647)	23,702	\$ 3,969
Industrial General	2800	31	011	334,186	\$ 36,843	(398,482)	\$ (43,940)	(64,267)	\$ (7,097)
Industrial Lg General	2800	31	021	5,235,664	\$ 395,724	(5,140,038)	\$ (387,511)	95,528	\$ 8,113
Industrial Extra Lg	2800	31	025	63,478,814	\$ 3,610,272	(67,793,648)	\$ (3,813,828)	(4,318,032)	\$ (203,258)
Industrial Pump	2800	31	031	519,843	\$ 47,897	(667,833)	\$ (60,902)	(147,990)	\$ (12,605)
WASHINGTON TOTAL				353,394,329	\$ 27,074,198	(389,119,146)	\$ (28,744,517)	(24,723,816)	\$ (1,730,419)
IDAHO									
Residential Service	3800	01	001	68,686,131	\$ 6,180,278	(78,861,452)	\$ (6,812,822)	(7,185,321)	\$ (632,574)
Residential Farm Gen	3800	01	012	1,589,630	\$ 170,870	(1,673,600)	\$ (161,096)	(113,970)	\$ (10,226)
Residential Farm Lg	3800	01	022	668,976	\$ 37,878	(837,524)	\$ (42,837)	(80,546)	\$ (4,959)
Residential Farm Pump	3800	01	032	149,627	\$ 15,668	(169,381)	\$ (16,428)	(10,854)	\$ (840)
Commercial General	3800	21	011	17,490,013	\$ 1,864,242	(18,806,949)	\$ (1,771,114)	(1,317,936)	\$ (106,872)
Commercial Lg General	3800	21	021	27,700,220	\$ 1,914,092	(28,328,090)	\$ (2,010,791)	(1,825,870)	\$ (86,899)
Commercial Extra Lg	3800	21	025	4,834,866	\$ 288,674	(6,164,396)	\$ (278,280)	(2,202,141)	\$ (8,709)
Commercial Pump	3800	21	031	1,062,666	\$ 99,678	(1,076,821)	\$ (96,728)	(73,266)	\$ (6,051)
Industrial General	3800	31	011	269,822	\$ 24,184	(278,917)	\$ (26,730)	(18,995)	\$ (1,546)
Industrial Lg General	3800	31	021	5,161,301	\$ 331,367	(5,140,035)	\$ (330,234)	21,266	\$ 1,123
Industrial Extra Lg	3800	31	025	20,383,306	\$ 1,081,295	(22,814,306)	\$ (1,180,683)	(2,231,001)	\$ (98,748)
Industrial Pump	3800	31	031	779,765	\$ 26,584,293	(878,686)	\$ (77,938)	(86,830)	\$ (8,227)
IDAHO TOTAL				149,872,099	\$ 11,869,745	(162,805,696)	\$ (12,824,979)	(12,933,497)	\$ (874,354)
WASHINGTON & IDAHO TOTAL				483,066,428	\$ 0.0605	(520,723,711)	\$ 0.0798	(37,657,283)	\$ (2,704,753)

Avista Corp. - Resource Accounting
Changes to ERM Accounts 186290, 182350 and 186280
 Feb-14

1 The balance in 186290 from the previous year (2012) ERM should have been transferred to account 182350 at the end of June/beginning of July after Regulatory Approval. Although this amount wasn't transferred, the associated interest rate was the same so transferring it now will have no financial implications to Avista and/or Washington ratepayers.

Balance as of June 2013		\$9,111,819.14	①
Jul. Interest	\$28,137		
Aug. Interest	\$28,137		
Sept. Interest	\$28,137		
Oct. Interest	\$28,137		
Nov. Interest	\$28,137		
Dec. Interest	\$28,137		
Balance as of Dec. 2013		\$9,280,641.14	③
Jan. Interest	\$27,443		④
Balance to transfer to 182350 as of 2/28/2014		\$9,308,084.14	

2 Entries to make

Reverse January interest for all of 186290 to isolate the interest associated with just 2012

	<u>Debit</u>	<u>Credit</u>	
186290 Prior Year ERM (2012)	\$22,173		✓ ⑤
431600 Interest Expense		\$22,173	

Transfer December 2013 Balance from 186290 to 182350

	<u>Debit</u>	<u>Credit</u>	
186290 Prior Year ERM (2012)	\$9,280,641.14		✓
182350 ERM Approved for Recovery		\$9,280,641.14	

Add in January interest for

	<u>Debit</u>	<u>Credit</u>	
182350 ERM Approved for Recovery		\$27,443	✓
431600 Interest Expense	\$27,443		

Total amount transferred to 182350 = \$9,308,084.14

3 Correct interest for remaining balance in 186290 which represents the 2013 surcharge

	<u>Debit</u>	<u>Credit</u>	
186290 Prior Year ERM (2013)	\$3,720		✓ ⑥
419600 Interest Income		\$3,720	

4 Adjust current year ERM (186280) to remove the Colstrip outage true-up

	<u>Debit</u>	<u>Credit</u>	
186280 Current year ERM (2014)		\$9,040	⑦
186290 Prior Year ERM (2013)	\$9,040		

2

Changes Semiannually on January 1 and July 1

The rate is based on Avista's actual cost of debt, updated semiannually.

The actual cost of debt calculated at 6/30 will be used for the interest calculation from July through December.

The actual cost of debt calculated at 12/31 will be used for the interest calculation from January through June.

Interest will be accrued monthly and compounded semi-annually.

Interest is calculated using the prior month ending balance plus 1/2 month of current month charges times the current after tax interest rate

Actual cost of debt at 12/31/12 is				Actual cost of debt at 06/30/13 is			
The monthly rate is:				The monthly rate is:			
5.711%				5.701%			
0.00476 Before Tax				0.00475 Before Tax			
0.0030935 After Tax				0.0030880 After Tax			
35.00% Tax rate				35.00% Tax rate			
Account 186290							
12-31-2012 GL Balance including interest				\$3,064,823			
				<u>January</u>		<u>DFIT Expense</u>	
						<u>ADFIT</u>	
January		0		Interest	(9,481) Nonoperating		9,481
January	Interest		(27,089)	Interest	(9,481) Total		9,481
01-31-2013 Balance before interest							
(8,756,638)							
				<u>February</u>		<u>DFIT Expense</u>	
						<u>ADFIT</u>	
February	2012 Trans. Revenue Adj.	(101,807)		Interest	(9,584) Nonoperating		9,584
February	2012 REC Expense Adjustment	(7,545)	(27,383)	Interest	(9,584) Total		9,584
February	Interest		0				
02-28-2013 Balance before interest							
(8,865,990)							
				<u>March</u>		<u>DFIT Expense</u>	
						<u>ADFIT</u>	
March		0		Interest	(9,643) Nonoperating		9,643
March	Palouse Transfer from 186810	(80,774)	(27,552)	Interest	(9,643) Total		9,643
March	Interest						
03-31-2013 Balance before interest							
(8,946,764)							
				<u>April</u>		<u>DFIT Expense</u>	
						<u>ADFIT</u>	
April		0		Deferral Interest	(9,687) Nonoperating		9,687
April	Interest		(27,677)	Deferral Interest	(9,687) Total		9,687
04-30-2013 Balance before interest							
(8,946,764)							
				<u>May</u>		<u>DFIT Expense</u>	
						<u>ADFIT</u>	
May		0		Deferral Interest	(9,687) Nonoperating		9,687
May	Interest		(27,677)	Deferral Interest	(9,687) Total		9,687
05-31-2013 Balance before interest							
(8,946,764)							
				<u>June</u>		<u>DFIT Expense</u>	
						<u>ADFIT</u>	
June		0		Deferral Interest	(9,687) Nonoperating		9,687
June	Interest		(27,677)	Deferral Interest	(9,687) Total		9,687
06-30-2013 Balance including interest							
(9,111,819)							
06-30-2013 Balance							
(9,111,819)							
				<u>July</u>		<u>DFIT Expense</u>	
						<u>ADFIT</u>	
July		0		Deferral Interest	(9,848) Nonoperating		9,848
July	Interest - corrected		(28,137)	Deferral Interest	(9,848) Total		9,848
07-31-2013 Balance before interest							
(9,111,819)							
				<u>August</u>		<u>DFIT Expense</u>	
						<u>ADFIT</u>	
August		0		Deferral Interest	(9,848) Nonoperating		9,848
August	Interest		(28,137)	Deferral Interest	(9,848) Total		9,848
08-31-2013 Balance before interest							
(9,111,819)							
				<u>September</u>		<u>DFIT Expense</u>	
						<u>ADFIT</u>	
September		0		Deferral Interest	(9,848) Nonoperating		9,848
September	Interest		(28,137)	Deferral Interest	(9,848) Total		9,848
09-30-2013 Balance before interest							
(9,111,819)							
				<u>October</u>		<u>DFIT Expense</u>	
						<u>ADFIT</u>	
October		0		Deferral Interest	(9,848) Nonoperating		9,848
October	Interest		(28,137)	Deferral Interest	(9,848) Total		9,848
10-31-2013 Balance before interest							
(9,111,819)							
				<u>November</u>		<u>DFIT Expense</u>	
						<u>ADFIT</u>	
November		0		Deferral Interest	(9,848) Nonoperating		9,848
November	Interest		(28,137)	Deferral Interest	(9,848) Total		9,848
11-30-2013 Balance before interest							
(9,111,819)							
				<u>December</u>		<u>DFIT Expense</u>	
						<u>ADFIT</u>	
December		0		Deferral Interest	(9,848) Nonoperating		9,848
December	Interest		(28,137)	Deferral Interest	(9,848) Total		9,848
12-31-2013 Balance before interest							
(9,111,819)							

2

Avista Corp. - Resource Accounting

Washington Energy Recovery Mechanism (ERM) Pending Deferral Balances from 2012 Before 2013 Transfer

Changes Semiannually on January 1 and July 1

The rate is based on Avista's actual cost of debt, updated semiannually.

The actual cost of debt calculated at 6/30 will be used for the interest calculation from July through December.

The actual cost of debt calculated at 12/31 will be used for the interest calculation from January through June.

Interest will be accrued monthly and compounded semi-annually.

Interest is calculated using the prior month ending balance plus 1/2 month of current month charges times the current after tax interest rate

Actual cost of debt at 12/31/13 is	5.459%	Actual cost of debt at 06/30/14 is	0.000%
The monthly rate is:	0.00455 Before Tax	The monthly rate is:	0.00000 Before Tax
	0.0029570 After Tax		0.0000000 After Tax
	35.00% Tax rate		35.00% Tax rate
Account 186290			
12-31-2013 GL Balance including interest		- \$9,280,641.14 Corrected	\$3,248,224
01-01-2014 Transfer from 186280			\$0
01-01-2014 Transfer correct interest			\$0
01-01-2014 Beginning Balance including interest		- \$9,280,641.14	
January	0	January	DFIT Expense
January Interest	(27,443)	Interest	(9,605) Nonoperating
01-31-2014 Balance before interest	(9,280,641.14)		(9,605) Total
			9,605

Amount to transfer to 182350 (\$9,308,084.14)

Avista Corporation Journal Entry

Effective Date: 201401

Journal: 481-WA ERM

Team: Resource Accounting

Type: C

Category: DJ

Currency: USD

Last Saved by: Gina Armstrong

Submitted by: Gina Armstrong

Approved by:

Last Saved: 02/07/2014 1:57 PM

Approval Requested: 02/07/2014 1:57 PM

Seq	Co	FERC	Set	Jul	S/L	Debit	Credit	Comment
10	001		ED	WA	DL	801.00	0.00	Reverse Dec. 2013 Interest Accrual
20	001	186280 - REGULATORY ASSET ERM DEFERRED	ED	WA	DL		801.00	Reverse Dec. 2013 Interest Accrual
30	001	CURRENT YEAR	ED	WA	DL	801.00		Correct Dec. 2013 Interest Accrual
40	001	431600 - INTEREST EXPENSE ENERGY DEFERRALS	ED	WA	DL		801.00	Correct Dec. 2013 Interest Accrual
50	001	186280 - REGULATORY ASSET ERM DEFERRED	ED	WA	DL		1,258,049.00	Transfer 2013 ERM Balance to 186290
60	001	CURRENT YEAR	ED	WA	DL	1,258,049.00		Transfer 2013 ERM Balance from 186280
70	001	186290 - REGULATORY ASSET ERM DEFERRED	ED	WA	DL		22,173.00	Prior Year's Interest Accrual
80	001	LAST YEAR	ED	WA	DL		574,746.00	Prior Year's Interest Expense
90	001	431600 - INTEREST EXPENSE ENERGY DEFERRALS	ED	WA	DL	22,173.00		Current Amortization
		182350 - REGULATORY ASSET ERM APPROVED	ED	WA	DL	574,746.00		Current Amortization Expense
100	001	FOR RECOVERY	ED	WA	DL		28,364.00	Interest Accrual
110	001	557290 - WA ERM AMORTIZATION	ED	WA	DL			Interest Expense on Amortization Balance
		182350 - REGULATORY ASSET ERM APPROVED	ED	WA	DL		0.00	Current Year ERM
120	001	FOR RECOVERY	ED	WA	DL	28,364.00		Current Year ERM Deferral Expense
130	001	431600 - INTEREST EXPENSE ENERGY DEFERRALS	ED	WA	DL		0.00	Current Year ERM Interest Accrual
		186280 - REGULATORY ASSET ERM DEFERRED	ED	WA	DL		0.00	Current Year ERM Interest Expense
140	001	CURRENT YEAR	ED	WA	DL	0.00		
150	001	557280 - DEFERRED POWER SUPPLY EXPENSE	ED	WA	DL		1,884,934.00	Totals:
		186280 - REGULATORY ASSET ERM DEFERRED	ED	WA	DL	1,884,934.00		
160	001	CURRENT YEAR	ED	WA	DL			

(S)

Need to reverse

(S)

6

Avista Corp. - Resource Accounting
 Washington Energy Recovery Mechanism (ERM) Pending Deferral Balances from 2012 and 2013

Changes Semiannually on January 1 and July 1
 The rate is based on Avista's actual cost of debt, updated semiannually.
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 The actual cost of debt calculated at 12/31 will be used for the interest calculation from January through June.
 Interest will be accrued monthly and compounded semi-annually.
 Interest is calculated using the prior month ending balance plus 1/2 month of current month charges times the current after tax interest rate

Actual cost of debt at 12/31/13 is		5.459%	Actual cost of debt at 06/30/14 is		0.000%
The monthly rate is:		0.00455 Before Tax	The monthly rate is:		0.00000 Before Tax
		0.0029570 After Tax			0.0000000 After Tax
		35.00% Tax rate			35.00% Tax rate
Account 186290					
12-31-2013	GL Balance including interest	0			\$0
01-01-2014	Transfer from 186280	1,256,447			(\$439,756)
01-01-2014	Transfer correct interest	1,602			(\$561)
01-01-2014	Beginning Balance including Interest	1,258,049			
January		0	January	DFIT Expense	ADFIT
January	Interest	3,720	Interest	1,302 Nonoperating	(1,302)
01-31-2014	Balance before interest	1,258,049		1,302 Total	(1,302)
February		(9,040)	February	DFIT Expense	ADFIT
February	Transfer in Colstrip Adj. NSJ002	(9,040)	Interest	1,297 Nonoperating	(1,297)
02-28-2014	Balance before interest	1,249,009		1,297 Total	(1,297)
March		0	March	DFIT Expense	ADFIT
March	Interest	3,693	Interest	1,293 Nonoperating	(1,293)
03-31-2014	Balance before interest	1,249,009		1,293 Total	(1,293)
April		0	April	DFIT Expense	ADFIT
April	Interest	3,693	Deferral Interest	1,293 Nonoperating	(1,293)
04-30-2014	Balance before interest	1,249,009		1,293 Total	(1,293)
May		0	May	DFIT Expense	ADFIT
May	Interest	3,693	Deferral Interest	1,293 Nonoperating	(1,293)
05-31-2014	Balance before interest	1,249,009		1,293 Total	(1,293)
June		0	June	DFIT Expense	ADFIT
June	Interest	3,693	Deferral Interest	1,293 Nonoperating	(1,293)
06-30-2014	Balance including interest	1,271,208		1,293 Total	(1,293)
06-30-2014	Balance	1,271,208			
July		0	July	DFIT Expense	ADFIT
July	Interest - corrected	0	Deferral Interest	0 Nonoperating	0
07-31-2014	Balance before interest	1,271,208		0 Total	0
August		0	August	DFIT Expense	ADFIT
August	Interest	0	Deferral Interest	0 Nonoperating	0
08-31-2014	Balance before interest	1,271,208		0 Total	0
September		0	September	DFIT Expense	ADFIT
September	Interest	0	Deferral Interest	0 Nonoperating	0
09-30-2014	Balance before interest	1,271,208		0 Total	0
October		0	October	DFIT Expense	ADFIT
October	Interest	0	Deferral Interest	0 Nonoperating	0
10-31-2014	Balance before interest	1,271,208		0 Total	0
November		0	November	DFIT Expense	ADFIT
November	Interest	0	Deferral Interest	0 Nonoperating	0
11-30-2014	Balance before interest	1,271,208		0 Total	0
December		0	December	DFIT Expense	ADFIT
December	Interest	0	Deferral Interest	0 Nonoperating	0
12-31-2014	Balance before interest	1,271,208		0 Total	0
12-31-2014	Balance with interest	1,271,208			

6

Printed 01/28/2014 at 2:54 pm

7

Avista Corporation Journal Entry

Effective Date: 201401
 Last Saved: 01/28/2014 2:53 PM
 Approval Requested: 01/28/2014 2:53 PM

Journal: NSJ002 - Regulatory Colstrip Outage Return
 Team: Resource Accounting
 Type: C
 Category: NSJ
 Currency: USD

Last Saved by: Tara Moses
 Submitted by: Tara Moses
 Approved by:

Seq	Co	FERC	SEL	JUR	S/L	Debit	Credit	Comment
10	001	-407320 - REG DEBIT COLSTRIP OUTAGE RETURN	ED	WA	DL	9,040.00	9,040.00	2013 WA Regulatory Colstrip Outage Return
20	001	186280 - REGULATORY ASSET ERM DEFERRED CURRENT YEAR	ED	WA	DL	9,040.00		2013 WA Regulatory Colstrip Outage Return
Totals:						9,040.00	9,040.00	

Explanation:

Per WA regulatory settlement, return of fixed costs required, due to Colstrip being less than 70% available during 2013 ERM review period. True-up entry to NSJ003 booked in Dec 2013.

Prepared by: Tara Moses
 Date: 1-25-14

Reviewed by: [Signature]
 Date: 1-28-14

Approved for Entry
 Corporate Accounting use Only
 Date

Need to move from 186280 to 186290 per J. Plyth

7

Armstrong, Gina

From: Pluth, Jeanne
Sent: Wednesday, March 05, 2014 11:42 AM
To: Armstrong, Gina
Cc: Moses, Tara
Subject: RE: ERM Question

Last years. I would move, since it really is 2013 activity.
thanks

From: Armstrong, Gina
Sent: Wednesday, March 05, 2014 11:29 AM
To: Pluth, Jeanne
Cc: Moses, Tara
Subject: ERM Question

Jeanne –

Last month Tara Moses made a true-up to the Regulatory Colstrip Outage return for \$9,040 and recorded it in this year's ERM account (186280). As you may recall this is the amount we owe Washington customers due to the Colstrip Outage. In Dec. 2013 we made a \$70,084 adjustment and recorded it in this same account but then this balance was moved to 186290. My question is: should the true-up be in 186280 (this year's ERM) and/or 186290 (last year's balance. It know it is small dollars but since we really haven't recorded anything in the ERM this year due to being in the Deadband it seems odd that there would be any balance in 186280.

Please advise.

Thanks!

Gina Armstrong
Avista Corp.
1411 East Mission Avenue
P.O. Box 3727
Spokane, Wa 99220-3727

Tel#: (509) 495-2892
Fax#: (509) 777-6114
gina.armstrong@avistacorp.com

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**Avista Corp. - Resource Accounting
 Washington Energy Recovery Mechanism (ERM) Pending Deferral Balances from 2012 and 2013**

Changes Semiannually on January 1 and July 1

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Interest is calculated using the prior month ending balance plus 1/2 month of current month charges times the current after tax interest rate

Actual cost of debt at 12/31/13 is		5.459%	Actual cost of debt at 06/30/14 is		0.000%
The monthly rate is:		0.00455 Before Tax	The monthly rate is:		0.00000 Before Tax
		0.0029570 After Tax			0.0000000 After Tax
		35.00% Tax rate			35.00% Tax rate
Account 186290					
12-31-2013	GL Balance including interest	0			\$0
01-01-2014	Transfer from 186280	1,256,447			(\$439,756)
01-01-2014	Transfer correct interest	1,602			(\$561)
01-01-2014	Beginning Balance including interest	1,258,049			
			<u>January</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
January		0			
January	Interest		3,720	1,302 Nonoperating	(1,302)
01-31-2014	Balance before interest	1,258,049		1,302 Total	(1,302)
			<u>February</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
February	Transfer in Colstrip Adj. NSJ002	(9,040)			
February	Balance before interest	1,249,009			
February	Interest		3,680	1,288 Nonoperating	(1,288)
02-28-2014	Balance before interest	1,249,009		1,288 Total	(1,288)
			<u>March</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
March		0			
March	Interest		3,693	1,293 Nonoperating	(1,293)
03-31-2014	Balance before interest	1,249,009		1,293 Total	(1,293)
			<u>April</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
April		0			
April	Interest		3,693	1,293 Nonoperating	(1,293)
04-30-2014	Balance before interest	1,249,009		1,293 Total	(1,293)
			<u>May</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
May		0			
May	Interest		3,693	1,293 Nonoperating	(1,293)
05-31-2014	Balance before interest	1,249,009		1,293 Total	(1,293)
			<u>June</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
June		0			
June	Interest		3,693	1,293 Nonoperating	(1,293)
	Balance including interest	1,271,181		1,293 Total	(1,293)
06-30-2014	Balance	1,271,181			
			<u>July</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
July		0			
July	Interest - corrected		0	0 Nonoperating	0
07-31-2014	Balance before interest	1,271,181		0 Total	0
			<u>August</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
August		0			
August	Interest		0	0 Nonoperating	0
08-31-2014	Balance before interest	1,271,181		0 Total	0
			<u>September</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
September		0			
September	Interest		0	0 Nonoperating	0
09-30-2014	Balance before interest	1,271,181		0 Total	0
			<u>October</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
October		0			
October	Interest		0	0 Nonoperating	0
10-31-2014	Balance before interest	1,271,181		0 Total	0
			<u>November</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
November		0			
November	Interest		0	0 Nonoperating	0
11-30-2014	Balance before interest	1,271,181		0 Total	0
			<u>December</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
December		0			
December	Interest		0	0 Nonoperating	0
12-31-2014	Balance before interest	1,271,181		0 Total	0
12-31-2014	Balance with interest	1,271,181			

Avista Corp. - Resource Accounting
Washington Energy Recovery Mechanism (ERM) Amortizing Deferral Balance

Changes Semiannually on January 1 and July 1

The rate is based on Avista's actual cost of debt, updated semiannually.

The actual cost of debt calculated at 6/30 will be used for the interest calculation from July through December.

The actual cost of debt calculated at 12/31 will be used for the interest calculation from January through June.

Interest will be accrued monthly and compounded semi-annually.

Interest is calculated using the prior month ending balance plus 1/2 month of current month charges times the current after tax interest rate

Actual cost of debt at 12/31/13 is		5.458%	Actual cost of debt at 06/30/14 is		0.000%
The monthly rate is:		0.00455 Before Tax	The monthly rate is:		0.00000 Before Tax
		0.0029570 After Tax			0.0000000 After Tax
		35.00% Tax rate			35.00% Tax rate
Account 182350					
12-31-2012 GL Balance including interest		(9,879,394)			3,457,788
			January	DFIT Expense	ADFIT
January	Surcharge Amortization	574,746	Amortization	201,161 Operating	(201,161)
January	Interest	(28,364)	Interest	(9,927) Nonoperating	9,927
01-31-2014 Balance before interest		(9,304,648)			191,234 Total
					(191,234)
			February	DFIT Expense	ADFIT
February	Transfer from 186290	(9,308,084)	2012 Balance		
February	Remove Jan. 2014 Interest	(27,443)	Don't compound		
February	Balance before Jan. Interest	(9,280,641)	Use to calculate simple Interest		
February	Total Balance before Interest	(18,585,289)	Total used to calculate simple interest		
February	Surcharge Amortization	842,895	Amortization	295,013 Operating	(295,013)
February	Interest	(53,710)	Interest	(18,799) Nonoperating	18,799
02-28-2014 Balance before interest		(17,742,394)			276,214 Total
					(276,214)
			March	DFIT Expense	ADFIT
March	Surcharge Amortization		Amortization	0 Operating	0
March	Interest	(52,464)	Interest	(18,362) Nonoperating	18,362
03-31-2014 Balance before interest		(17,742,394)			(18,362) Total
					18,362
			April	DFIT Expense	ADFIT
April	Surcharge Amortization		Amortization	0 Operating	0
April	Interest	(52,464)	Interest	(18,362) Nonoperating	18,362
04-30-2014 Balance before interest		(17,742,394)			(18,362) Total
					18,362
			May	DFIT Expense	ADFIT
May	Surcharge Amortization		Amortization	0 Operating	0
May	Interest	(52,464)	Interest	(18,362) Nonoperating	18,362
05-31-2014 Balance before interest		(17,742,394)			(18,362) Total
					18,362
			June	DFIT Expense	ADFIT
June	Balance transfer		Amortization	0 Operating	0
June	Surcharge Amortization		Interest	(18,362) Nonoperating	18,362
June	Interest	0			(18,362) Total
06-30-2014 Balance including interest		(17,742,394)			18,362
			July	DFIT Expense	ADFIT
July	GL Balance including interest	(18,034,324)	Amortization	0 Operating	0
July	Surcharge Amortization		Interest	0 Nonoperating	0
July	Interest - corrected	0			0 Total
07-31-2014 Balance before Interest		(18,034,324)			0
			August	DFIT Expense	ADFIT
August	Surcharge Amortization		Amortization	0 Operating	0
August	Interest	0	Interest	0 Nonoperating	0
08-31-2014 Balance before interest		(18,034,324)			0 Total
					0
			September	DFIT Expense	ADFIT
September	Surcharge Amortization		Amortization	0 Operating	0
September	Interest	0	Interest	0 Nonoperating	0
09-30-2014 Balance before interest		(18,034,324)			0 Total
					0
			October	DFIT Expense	ADFIT
October	Surcharge Amortization		Amortization	0 Operating	0
October	Interest	0	Interest	0 Nonoperating	0
10-31-2014 Balance before interest		(18,034,324)			0 Total
					0
			November	DFIT Expense	ADFIT
November	Surcharge Amortization		Amortization	0 Operating	0
November	Interest	0	Interest	0 Nonoperating	0
11-30-2014 Balance before interest		(18,034,324)			0 Total
					0
			December	DFIT Expense	ADFIT
December	Surcharge Amortization		Amortization	0 Operating	0
December	Interest	0	Interest	0 Nonoperating	0
12-31-2014 Balance before interest		(18,034,324)			0 Total
12-31-2014 Balance including interest		(18,034,324)			0

AVISTA CORPORATION
FEBRUARY 2014 WASHINGTON ENERGY RECOVERY MECHANISM REBATE REVENUE & DEFERRAL AMORTIZATION

Schedule	kWh or \$ (b)	Proration Percentages		Rebate Rates		Rate		Current Month	
		Before	On/After	Before	On/After	Before	On/After	Rate	Rebate Revenue
		1-Jan-14	1-Jan-14	1-Jan-14	1-Jan-14	1-Jan-13	1-Jan-13	1-Jan-13	1-Jan-13
(a)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(g)+(h)	
1	265,521,283	1.39%	98.61%	(0.080¢)	(0.164¢)	-2,953	-429,402	-432,355	
11	50,640,324	1.64%	98.36%	(0.110¢)	(0.224¢)	-914	-111,574	-112,488	
12	6,549,623	1.58%	98.42%	(0.110¢)	(0.224¢)	-114	-14,439	-14,553	
21	117,657,323	1.59%	98.41%	(0.083¢)	(0.169¢)	-1,553	-195,679	-197,232	
22	3,941,870	2.19%	97.81%	(0.083¢)	(0.169¢)	-72	-6,516	-6,588	
25	94,615,706	0.00%	100.00%	(0.053¢)	(0.108¢)	0	-102,185	-102,185	
30	49,166	0.12%	99.88%	(0.073¢)	(0.150¢)	0	-74	-74	
31	4,361,015	1.33%	98.67%	(0.073¢)	(0.150¢)	-42	-6,455	-6,497	
32	282,148	0.92%	99.08%	(0.073¢)	(0.150¢)	-2	-419	-421	
41-46	1,364,498	11.56%	88.44%	(0.246¢)	(0.503¢)	-388	-6,070	-6,458	
47	464,772	1.04%	98.96%	(0.246¢)	(0.503¢)	-12	-2,313	-2,325	
48	268,478	0.93%	99.07%	(0.246¢)	(0.503¢)	-6	-1,338	-1,344	
Schedule Totals	545,716,206					-\$6,056	-\$876,464	-\$882,520	
kWh not subject to surcharge					Conversion factor				0.955100
Sch 62	0				Amortization				-\$842,895
Total kWh	545,716,206				FIT rate				-35%
					DFIT expense				\$295,013

Electric Revenue Report by Revenue Class Current Month and Year-to-Date for Accounting Period : 201402 , State Code : WA

Accounting Period:201402 State Code:WA

Rate Schedule Num	Meters	Usage	Revenue Amt	YTD Avg Meters	Ytd Usage	Ytd Revenue Amt
001	205,720	265,521,283	23,298,164.29	205,628	555,407,763	48,622,601.22
011	21,311	50,640,324	5,854,812.56	21,313	103,700,985	11,893,883.17
012	8,807	6,549,623	853,711.07	8,804	13,386,477	1,732,852.21
021	1,953	117,657,323	10,529,489.88	1,953	238,462,963	21,187,279.13
022	55	3,941,870	336,409.69	55	8,123,740	686,072.85
025	20	94,615,706	5,368,903.99	21	186,105,004	10,635,726.87
030	33	49,166	3,889.37	32	102,551	8,029.80
031	1,184	4,361,015	379,631.74	1,184	8,677,202	751,386.63
032	1,212	282,148	41,994.54	1,214	585,224	85,309.70
041	11	8,720	2,007.21	11	17,440	3,983.02
042	291	1,122,896	381,483.24	291	2,247,192	755,636.12
044	14	24,587	3,165.39	14	49,174	6,316.05
044A	-	-	-	1	-	336.00
045	11	89,173	6,324.46	11	178,346	12,685.32
046	53	119,122	11,542.06	53	238,576	23,142.89
047	-	464,772	108,290.88	-	931,989	215,934.19
048	-	268,478	66,327.65	-	533,322	131,192.43
058	-	-	1,702,641.89	-	-	3,489,223.85
058A	-	-	(10,649.86)	-	-	(21,284.04)
062	-	-	-	-	-	-
090	-	-	-	-	-	-
095	-	-	15,341.43	-	-	30,719.30
099	-	-	50,511.45	-	-	103,156.57
Sum	240,675	545,716,206	49,003,992.93	240,583	1,118,747,948	100,354,183.28

2/28/2014
 DWWPAORR

AVISTA UTILITIES

RATE CHANGE PRORATION FOR FEBRUARY

PROCESSING DATE RANGE: 2014-01-30 THRU 2014-02-27

RATE CHANGE EFFECTIVE DATE 2014-01-01

REVENUE MONTH FEBRUARY

STATE	RATE SCHEDULE NUM	PREVIOUS RATE USAGE	PRIOR RATE PERCENTAGE	CURRENT RATE USAGE	CURRENT RATE PERCENTAGE	TOTAL USAGE BILLED
WASHINGTON	TOTAL SCHEDULE 001	3,685,266	1.39%	262,293,079	98.61%	265,978,345
	TOTAL SCHEDULE 011	826,733	1.64%	49,565,590	98.36%	50,392,323
	TOTAL SCHEDULE 012	103,825	1.58%	6,453,245	98.42%	6,557,070
	TOTAL SCHEDULE 021	1,868,494	1.59%	115,859,310	98.41%	117,727,804
	TOTAL SCHEDULE 022	82,868	2.19%	3,708,482	97.81%	3,791,350
	TOTAL SCHEDULE 025		0.00%	31,468,140	100.00%	31,468,140
	TOTAL SCHEDULE 030	59	0.12%	49,107	99.88%	49,166
	TOTAL SCHEDULE 031	58,194	1.33%	4,303,497	98.67%	4,361,691
	TOTAL SCHEDULE 032	2,587	0.92%	279,273	99.08%	281,860
	STATE TOTAL	6,628,026		473,979,723		480,607,749
	MONTH USAGE TOTALS	6,628,026		473,979,723		480,607,749

Avista Corporation
 Proration Percentages
 January 1, 2014 Electric Rate Change
State of Washington

Read Day	Read Date	Service Days	01-Jan-14		Schedule 41-46		Schedule 47		Schedule 48				
			Days Before	Days On & After	Total	Before	After	Total	Before	After			
February 20	28-Jan	32	4	28	1,261,213	157,652	1,103,561	30,802	3,850	26,952	15,560	1,945	13,615
21	29-Jan	30	1	29	2,354	78	2,276	29,996	1,000	28,996	17,235	574	16,661
1	30-Jan	30	0	30	4,259	0	4,259	39,063	0	39,063	17,771	0	17,771
2	31-Jan	29	0	29	676	0	676	23,937	0	23,937	20,993	0	20,993
3	03-Feb	31	0	31	0	0	0	17,567	0	17,567	14,065	0	14,065
4	04-Feb	29	0	29	12,018	0	12,018	31,133	0	31,133	11,306	0	11,306
5	05-Feb	29	0	29	4,273	0	4,273	21,152	0	21,152	8,655	0	8,655
6	06-Feb	29	0	29	0	0	0	10,808	0	10,808	10,262	0	10,262
7	07-Feb	29	0	29	10,139	0	10,139	21,562	0	21,562	18,456	0	18,456
8	10-Feb	31	0	31	3,514	0	3,514	36,006	0	36,006	17,677	0	17,677
9	11-Feb	29	0	29	3,121	0	3,121	13,736	0	13,736	11,749	0	11,749
10	12-Feb	29	0	29	133	0	133	14,866	0	14,866	13,848	0	13,848
11	13-Feb	29	0	29	0	0	0	17,891	0	17,891	8,039	0	8,039
12	14-Feb	29	0	29	0	0	0	16,448	0	16,448	13,288	0	13,288
13	17-Feb	31	0	31	827	0	827	16,717	0	16,717	9,917	0	9,917
14	18-Feb	29	0	29	1,522	0	1,522	11,452	0	11,452	7,696	0	7,696
15	19-Feb	29	0	29	1,064	0	1,064	15,712	0	15,712	10,411	0	10,411
16	20-Feb	29	0	29	0	0	0	26,902	0	26,902	11,357	0	11,357
17	21-Feb	29	0	29	0	0	0	15,871	0	15,871	9,654	0	9,654
18	24-Feb	31	0	31	532	0	532	13,871	0	13,871	16,353	0	16,353
19	25-Feb	29	0	29	58,853	0	58,853	40,703	0	40,703	6,206	0	6,206
Sum		622	5	617	1,364,498	157,730	1,206,768	466,195	4,850	461,345	270,498	2,519	267,979
						11.56%	88.44%	1.04%		98.96%		0.93%	99.07%

Attachment B

**Avista Corporation
Monthly Power Cost Deferral Report
Month of February 2014**

REC Revenues Deferral Journal

Avista Corporation Journal Entry

Journal: 475-WASHINGTON REC DEFERRAL
 Team: Resource Accounting
 Type: C
 Category: DJ
 Currency: USD

Effective Date: 201402

Last Saved by: Gina Armstrong
 Submitted by: Gina Armstrong
 Approved by:

Last Saved: 03/05/2014 11:01 AM
 Approval Requested: 03/05/2014 11:01 AM

Seq	Co	FERC	Exp	Ser.	Jur.	S.L	Debit	Credit	Comment
10	001	557322	- DEF POWER SUPPLY EXP-RECS	ED	WA	DL	75,298.00		WA REC Deferral Expense
20	001	186322	- MISC DEF DEBIT - WA REC DEF	ED	WA	DL		75,298.00	WA REC Balance
30	001	419016	- INTEREST INCOME ON REC DEFERRAL	ED	WA	DL	0.00		WA REC Interest Income Accrual
40	001	186322	- MISC DEF DEBIT - WA REC DEF	ED	WA	DL		0.00	WA REC Balance Interest Income Accrual
50	001	431016	- INTEREST EXPENSE ON REC DEFERRAL	ED	WA	DL	4,607.00		WA REC Interest Expense Accrual
60	001	186322	- MISC DEF DEBIT - WA REC DEF	ED	WA	DL	79,905.00	4,607.00	WA REC Balance Interest Expense Accrual
Totals:							79,905.00	79,905.00	

Gina Armstrong
 Prepared by Gina Armstrong
 Date: 3/5/14

[Signature]
 Reviewed by
 Date: 3/5/14

Approved for Entry
 Corporate Accounting use Only
 Date

Explanation:
 To account for the Washington REC Deferral per Washington UE-120436 and UE-120437.

Avista Corp. - Resource Accounting
 DJ475 - Washington REC Deferral

Changes Semiannually on January 1 and July 1

The rate is based on Avista's actual cost of debt, updated semiannually.

The actual cost of debt calculated at 6/30 will be used for the interest calculation from July through December.

The actual cost of debt calculated at 12/31 will be used for the interest calculation from January through June.

Interest will be accrued monthly and compounded semi-annually.

Interest is calculated using the prior month ending balance plus 1/2 month of current month charges times the current after tax interest rate

Actual cost of debt at 12/31/13 is	5.459%	Actual cost of debt at 06/30/14 is	
The monthly rate is:	0.00455 Before Tax	The monthly rate is:	0.00000 Before Tax
	0.0029570 After Tax		0.0000000 After Tax
	35.00% Tax rate		35.00% Tax rate

Account 186322-ED-WA

0

Beginning Balance Including Interest interest (1,606,948)

				January	DFIT Expense	ADFIT
January	REC Deferral	86,707		Deferral	30,347 Operating	(30,347)
January	Interest		(4,624)	Interest	(1,618) Nonoperating	1,618
01-31-2013	Balance before interest	(1,520,241)			28,729 Total	(28,729)
				February	DFIT Expense	ADFIT
February	REC Deferral	(75,298)		Deferral	(26,354) Operating	26,354
February	Interest		(4,607)	Interest	(1,776) Nonoperating	1,776
02-28-2013	Balance before interest	(1,595,539)			(28,130) Total	28,130
				March	DFIT Expense	ADFIT
March	REC Deferral			Deferral	0 Operating	0
March	Interest		(4,718)	Interest	(1,651) Nonoperating	1,651
03-31-2013	Balance before interest	(1,595,539)			(1,651) Total	1,651
				April	DFIT Expense	ADFIT
April	REC Deferral			Deferral	0 Operating	0
April	Interest		(4,718)	Interest	(1,651) Nonoperating	1,651
04-30-2013	Balance before interest	(1,595,539)			(1,651) Total	1,651
				May	DFIT Expense	ADFIT
May	REC Deferral			Deferral	0 Operating	0
May	Interest		(4,718)	Interest	(1,651) Nonoperating	1,651
05-31-2013	Balance before interest	(1,595,539)			(1,651) Total	1,651
				June	DFIT Expense	ADFIT
June	REC Deferral			Deferral	0 Operating	0
June	Interest		(4,718)	Interest	(1,651) Nonoperating	1,651
06-30-2013	Balance before interest	(1,595,539)			(1,651) Total	1,651
				July	DFIT Expense	ADFIT
July	GL Balance including interest	(1,624,108)		Deferral	0 Operating	0
July	REC Deferral - Corrected		0	Interest	0 Nonoperating	0
07-31-2013	Balance before interest	(1,624,108)			0 Total	0
				August	DFIT Expense	ADFIT
August	REC Deferral			Deferral	0 Operating	0
August	Interest		0	Interest	0 Nonoperating	0
08-31-2013	Balance before interest	(1,624,108)			0 Total	0
				September	DFIT Expense	ADFIT
September	REC Deferral			Deferral	0 Operating	0
September	Interest		0	Interest	0 Nonoperating	0
09-30-2013	Balance before interest	(1,624,108)			0 Total	0
				October	DFIT Expense	ADFIT
October	REC Deferral			Deferral	0 Operating	0
October	Interest		0	Interest	0 Nonoperating	0
10-31-2013	Balance before interest	(1,624,108)			0 Total	0
				November	DFIT Expense	ADFIT
November	REC Deferral			Deferral	0 Operating	0
November	Interest		0	Interest	0 Nonoperating	0
11-30-2013	Balance before interest	(1,624,108)			0 Total	0
				December	DFIT Expense	ADFIT
December	REC Deferral			Deferral	0 Operating	0
December	Interest		0	Interest	0 Nonoperating	0
12-31-2013	Balance before interest	(1,624,108)			0 Total	0

**Avista Corp. - Resource Accounting
 Washington REC Deferral Summary - DJ475**

REC REVENUE & EXPENSE	Debit	Credit	Entry
January Revenue			
186322	\$101,308		
557322		\$101,308	
January Expense			
186322		\$14,601	
557322	\$14,601		
January Total			
186322	\$101,308	\$14,601	-\$86,707 Debit
557322	\$14,601	\$101,308	\$86,707 Credit
February Revenue			
186322		\$61,253	
557322	\$61,253		
February Expense			
186322		\$14,045	
557322	\$14,045		
February Total			
186322	\$0	\$75,298	\$75,298 Credit
557322	\$75,298	\$0	-\$75,298 Debit

Avista Corp. - Resource Accounting
 DJ 475 - Washington REC Deferral
 2014 REC Revenue Deferral Calculation
 Per UE-120436 and UG-120437 Order 14

Actual	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Total
Non WA EIA - Voluntary REC Revenue	(\$49,303)	(\$281,613)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$330,916)
WA EIA937 Requirement (EWEB) - PGE Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sacramento Municipal Utility District (SMUD) - REC Revenue	(\$297,264)	(\$268,606)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$565,870)
Total	(\$346,567)	(\$550,219)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$896,786)
Authorized - System													
Non WA EIA - Voluntary REC Revenue	(\$31,458)	(\$31,458)	(\$31,458)	(\$31,458)	(\$31,458)	(\$31,458)	(\$31,458)	(\$31,458)	(\$31,458)	(\$31,458)	(\$31,458)	(\$31,458)	(\$377,500)
WA EIA937 Requirement (EWEB) - PGE Revenue	\$0	\$0	\$0	(\$79,000)	\$0	\$0	\$0	\$0	\$0	(\$79,000)	\$0	\$0	(\$158,000)
Sacramento Municipal Utility District (SMUD) - REC Revenue	(\$470,394)	(\$424,872)	(\$469,762)	(\$455,220)	(\$470,394)	(\$455,220)	(\$313,596)	(\$313,596)	(\$303,480)	(\$313,596)	(\$303,902)	(\$313,596)	(\$4,607,627)
Total Authorized	(\$501,852)	(\$456,330)	(\$501,220)	(\$565,678)	(\$501,852)	(\$486,678)	(\$345,054)	(\$345,054)	(\$334,938)	(\$424,054)	(\$335,360)	(\$345,054)	(\$5,143,127)
Difference													
Non WA EIA - Voluntary REC Revenue	(\$17,845)	(\$250,154)	\$31,458	\$31,458	\$31,458	\$31,458	\$31,458	\$31,458	\$31,458	\$31,458	\$31,458	\$31,458	\$46,584
WA EIA937 Requirement (EWEB) - PGE Revenue	\$0	\$0	\$0	\$79,000	\$0	\$0	\$0	\$0	\$0	\$79,000	\$0	\$0	\$158,000
Sacramento Municipal Utility District (SMUD) - REC Revenue	\$173,130	\$156,266	\$469,762	\$455,220	\$470,394	\$455,220	\$313,596	\$313,596	\$303,480	\$313,596	\$303,902	\$313,596	\$4,041,757
Total (+) = Surcharge	\$155,285	(\$93,888)	\$501,220	\$565,678	\$501,852	\$486,678	\$345,054	\$345,054	\$334,938	\$424,054	\$335,360	\$345,054	\$4,246,341
WA Share of Difference													
Non WA EIA - Voluntary (65.24%)	(\$11,642)	(\$163,201)	\$20,523	\$20,523	\$20,523	\$20,523	\$20,523	\$20,523	\$20,523	\$20,523	\$20,523	\$20,523	\$30,391
WA EIA937 Requirement (EWEB) - PGE Revenue (100%)	\$0	\$0	\$0	\$79,000	\$0	\$0	\$0	\$0	\$0	\$79,000	\$0	\$0	\$158,000
SMUD (65.24%)	\$112,950	\$101,948	\$306,473	\$296,986	\$306,885	\$296,986	\$204,590	\$204,590	\$197,990	\$204,590	\$198,265	\$204,590	\$2,636,842
Total - 100% Surcharge (+) or Rebate (-)	\$101,308	(\$61,253)	\$326,996	\$396,509	\$327,408	\$317,509	\$225,113	\$225,113	\$218,514	\$304,113	\$218,789	\$225,113	\$2,825,234

Accounting Entries
 186322-ED-WA
 587322-ED-WA

Debit Credit
 Credit Debit

Debit Credit

Attachment C

Avista Corporation
Monthly Power Cost Deferral Report
Month of February 2014

Long-Term Power Transaction



February 27, 2014

Hydro Technology Systems, Inc.
Mike Johnson
P.O. Box 682
Chattaroy, WA 99003

Re: Amendment No. 2 to the Power Purchase Agreement Between Hydro Technology Systems, Inc. and Avista Corporation

Dear Mr. Johnson:

Hydro Technology Systems, Inc. ("Seller") and Avista Corporation ("Avista"), referred to herein individually as a "Party" and collectively as the "Parties," entered into that certain Power Purchase Agreement dated January 1, 2012, ("Power Purchase Agreement") under which Avista purchases energy from the Meyers Falls hydroelectric project, which is located on the Colville River five miles upstream of the Columbia River, near the City of Kettle Falls, Washington, and which has a total nameplate capacity of 1.2 megawatts.

The original term of the Power Purchase Agreement will expire by its terms on December 31, 2013. Seller and Avista have agreed to amend the Power Purchase Agreement to extend the term through December 31, 2015.

The Parties hereby agree to amend the Power Purchase Agreement as follows:

1. Section 4.1 of the Power Purchase Agreement is amended to change the expiration date of the Term to December 31, 2015 so that Section 4.1 of the Power Purchase Agreement reads in its entirety as follows:

4.1 The effective date of this agreement shall be January 1, 2012 and will continue, unless otherwise terminated as provided herein, through December 31, 2015: provided however, that this Agreement shall terminate upon Commission rejection of this Agreement.

2. Exhibit 2 (Power Purchase Rate) is amended and replaced in its entirety with the attached Amended Exhibit 2 to reflect the contract rates for March 2014 through December 2015.

Except as expressly provided herein, all other terms and conditions of the Power Purchase Agreement remain in full force and effect.

The Parties agree that this Amendment No. 1 to the Power Purchase Agreement will be construed in accordance with Section 210 of PURPA and other applicable laws and regulations. This Amendment No. 2 to the Power Purchase Agreement shall become effective on March 1, 2014. Upon the effective date of this Amendment, this Amendment shall be incorporated in the Power Purchase Agreement and all references to the Power Purchase Agreement shall be deemed to be references to the Power Purchase Agreement as amended by this Amendment No. 1.

If the terms set forth herein for the Amendment No. 1 to the Power Purchase Agreement are acceptable, please execute below and return an original executed copy of this letter to me. Please call Bill Johnson at (509) 495-4046 if you have any questions.

Sincerely,



Scott Kinney
Director, Power Supply

ACCEPTED AND AGREED TO:

HYDRO TECHNOLOGY SYSTEMS, INC.



Name: Michael Johnson

Date: 2/27/2014

**Amendment No. 2 to the Power Purchase Agreement Between Hydro
Technology Systems, Inc. and Avista Corporation**

**Exhibit 2
Power Purchase Rate**

<u>Period</u>	<u>Contract Rate \$/MWh</u>
Mar 2014 - Jun 2014	\$37.88
Jul 2014 - Dec 2014	\$48.71
Jan 2015 - Feb 2015	\$49.44
Mar 2015 - Jun 2015	\$38.46
Jul 2015 - Dec 2015	\$49.44