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2014 JUN 12 AM 9:52

May 11, 2014

Steven V. King
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,
May 2014

Dear Mr. King:

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

The report includes the monthly energy recovery mechanism (ERM) accounting journal together with backup workpapers (Attachment A). In May, actual net power costs were less than authorized costs by \$2,557,100. Year-to-date actual net power costs were less than authorized costs by \$6,334,433. A deferral entry of \$1,750,825 was made in the rebate direction. The ERM deferral at May 31, 2014 is \$1,750,825 in the rebate direction.

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 \$689,114 for the month of May 2014. After adjusting for revenue-sensitive expenses, \$658,173 of amortization of the deferral balance was recorded.

Actual net power costs for May 2014 were less than the authorized level due primarily to higher hydro generation. Hydro generation was 64 aMW above the authorized level. Colstrip generation was 35 aMW below the authorized level. Kettle Falls generation was 1 aMW above the authorized level. Natural gas-fired generation was 15 aMW above the authorized level.

The average power purchase price was \$19.53/MWh compared to an authorized price of \$17.84/MWh. The average natural gas purchase price was \$3.96/dth compared to an authorized price of \$3.19/dth. The net transmission expense (transmission expense less transmission revenue) was below the authorized level. Washington retail sales were 21 aMW above the authorized level.

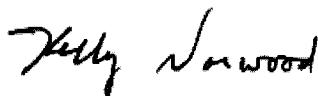
The report also includes the monthly renewable energy credits (REC) accounting journal together with backup workpapers (Attachment B). In May 2014, actual net REC revenues were less than authorized revenues by \$91,028. The Company records 100% of the net REC revenues in a separate deferral account per 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 were no forward long-term power contract executed in May 2014.

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

Sincerely,

Handwritten signature of Kelly Norwood in black ink.

Kelly Norwood
Vice President, State and Federal Regulation

JP

Enclosure

C: Mary Kimball, S. Bradley Van Cleve