



Avista Corp.

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February 15, 2016

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, January 2016
Docket No. UE-140188, Monthly REC Report, January 2016

Dear Mr. King:

Enclosed are an original and five copies of Avista Corporation's Power Cost Deferral Report for the month of January 2016.

The report includes the monthly energy recovery mechanism (ERM) accounting journal together with backup workpapers (Attachment A). In January, actual net power costs were less than authorized costs by \$2,471,553. No deferral entry was recorded in January 2016.

In Order 05, Docket UE-140188, the Company was authorized to return a portion of the accumulated ERM deferral balance to customers effective January 1, 2015. That rebate was set to expire on December 31, 2015, however, in Docket No. UE-152406, the Commission extended the rebate for an additional 11 days to coincide with the effective date of the Company's 2015 general rate case (effective January 1, 2016). The total rebate revenue of \$624,992 recorded in January represents a portion of these 11 days as well as December revenue billed in January. After adjusting for revenue-sensitive expenses, \$596,860 of amortization of the deferral balance was recorded.

Actual power supply expense was lower than the authorized level due primarily to low natural gas and power prices. The average purchase power price was \$20.36/MWh compared to an authorized price of \$29.08/MWh. The average natural gas price was \$2.98/dth compared to an authorized price of \$3.29/dth.

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Hydro generation was 24 aMW below the authorized level. Colstrip and Kettle Falls generation was 19 aMW and 13 aMW above the authorized level respectively. Gas-fired generation was 26 aMW above the authorized level. The net transmission expense (transmission expense less transmission revenue) was below the authorized level. Washington retail sales were 6 aMW below the authorized level.

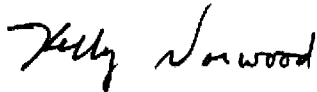
The report also includes the monthly renewable energy credits (REC) accounting journal together with backup work papers (Attachment B). Per Order 05, Docket UE-140188 the Company defers 100% of the net monthly renewable energy credits (REC) not associated with compliance for the Washington Energy Independence Act. The amount of net revenues for January 2016 is \$194,244. The Company also is authorized to return to customers an amortization amount based on actual and projected net REC revenues from 2012 through June 2016. The rebate revenue amounted to \$591,898 for the month of January 2016. After adjusting for revenue-sensitive expenses, \$565,256 of amortization of the deferral balance was recorded.

Interest for the ERM 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 actual cost of debt is used as the interest rate. The interest rate is updated semi-annually and interest is compounded semi-annually. The January 2016 report on page 23 contains the information for the January – June calculations.

Interest for RECs is calculated per footnote 3 of the Settlement Stipulation in Order No. 5, Docket UE-140188 dated January 25, 2014 where parties agreed to the use of an after-tax cost of capital interest rate (6.34%) on the rebate balance. This interest rate will be updated at the next General Rate Case.

If you have any questions, please contact Bill Johnson at (509) 495-4046 or Annette Brandon at (509) 495-4324.

Sincerely,



Kelly Norwood
Vice President, State and Federal Regulation

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Enclosure

C: Mary Kimball, S. Bradley Van Cleve