



Avista Corp.

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October 17, 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, September 2016
Docket No. UE-140188, Monthly REC Report, September 2016

Dear Mr. King:

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

The report includes the monthly energy recovery mechanism (ERM) accounting journal together with backup workpapers (Attachment A). In September, actual net power costs were less than authorized costs by \$520,716. Year-to-date actual net power costs were less than authorized costs by \$2,666,877. No deferral entry was recorded this month. The ERM deferral at September 2016 is \$12,530 (interest only) in the rebate direction.

Actual power supply expense was lower than the authorized level due primarily to low power purchase prices. The average purchased power price was \$26.50/MWh compared to an authorized price of \$29.91/MWh. The average natural gas price was \$2.89/dth compared to an authorized price of \$2.71/dth. Hydro generation was 84 aMW below the authorized level.

Colstrip and Kettle Falls generation was 17 aMW and 9 aMW above the authorized level respectively. Gas-fired generation was 90 aMW above the authorized level. The net transmission expense (transmission expense less transmission revenue) was below the authorized level. Washington retail sales were 4 aMW above 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

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WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

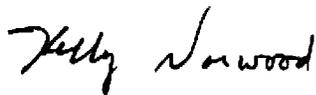
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Company defers 100% of the net monthly renewable energy credits (REC) not associated with compliance for the Washington Energy Independence Act. The amount of net revenues for September 2016 is \$289,563.

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 September 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 July 2016 report on page 20 contains the information for the July – December calculations.

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

AB

Enclosure

C: Public Counsel
Industrial Customers of Northwest Utilities