



Avista Corp.

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

Dear Mr. King:

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

The report includes the monthly energy recovery mechanism (ERM) accounting journal together with backup workpapers (Attachment A). In October, actual net power costs were less than authorized costs by \$1,125,806. Year-to-date actual net power costs were less than authorized costs by \$3,792,683. No deferral entry was recorded this month. The ERM deferral at October 2016 is \$12,562 (interest only) in the rebate direction.

Actual power supply expense was lower than the authorized level due primarily to higher hydro generation and low power purchase prices. Hydro generation was 86 aMW above the authorized level. The average purchased power price was \$18.07/MWh compared to an authorized price of \$30.07/MWh. The average natural gas price was \$3.08/dth compared to an authorized price of \$2.70/dth.

Colstrip and Kettle Falls generation was 7 aMW below and 9 aMW above the authorized level respectively. Gas-fired generation was 87 aMW below the authorized level. The net transmission expense (transmission expense less transmission revenue) was below the authorized level. Washington retail sales were 22 aMW below the authorized level.

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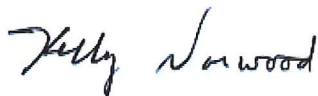
The report also includes the monthly renewable energy credits (REC) accounting journal together with backup work papers (Attachment B). Per Order 05, Docket UE-140188 the Company defers 100% of the net monthly renewable energy credits (REC) not associated with compliance for the Washington Energy Independence Act. The amount of net revenues for October 2016 is \$290,618.

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 October 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.

There was one forward long-term power contract executed in October 2016 which is provided in Attachment C.

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

