**Avista Corp.**

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February 15, 2017

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 2017

Docket No. UE-140188, Monthly REC Report, January 2017

Dear Mr. King:

Enclosed are an original and five copies of Avista Corporation’s Power Cost Deferral Report for the month of January 2017. Attached to this email are native format of this cover letter, excel worksheets for pages 2-8, and the journals in .pdf – pages 9-40.

The report includes the monthly energy recovery mechanism (ERM) accounting journal together with backup work papers (Attachment A). In January, Washington actual net power costs were higher than authorized costs by $2,141,887. No deferral entry was recorded.

Actual power supply expense was higher than the authorized level due in part to the expiration of the Portland General Electric capacity contract. That contract, which provided approximately $8.0 million (net, Washington share) in annual benefit expired December 31, 2016. Hydro generation was 31 aMW above the authorized level. The average purchased power price was $28.08/MWh compared to an authorized price of $26.60/MWh. The average natural gas price was $2.90/dth compared to an authorized price of $2.92/dth.

Colstrip and Kettle Falls generation was 12 aMW and 13 aMW above the authorized level respectively. Gas-fired generation was 41 aMW above the authorized level. The net transmission expense (transmission expense less transmission revenue) was below the authorized level. Washington retail sales were 77 aMW above the authorized level.

The report also includes the monthly renewable energy credits (REC) accounting journal together with backup work papers (Attachment C). 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 2017 is $635,042.

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 December 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.

There were no new contracts entered into this month.

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