**Avista Corp.**

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April 14, 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, March 2017

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

Dear Mr. King:

Enclosed are an original and five copies of Avista Corporation’s Power Cost Deferral Report for the month of March 2017. The report includes the monthly Energy Recovery Mechanism (ERM) accounting journal together with supporting work papers (Attachment A). The native format of the cover letter, Excel worksheets for the deferral calculation, and the journal in “pdf” format are attached to the electronic filing. Please note “pdf” is the native form for the deferral journal.

For March 2017, actual net power supply costs were lower than authorized net power costs for the Washington jurisdiction by $2,043,529. A deferral entry was recorded in the rebate direction for $168,670. Year to date, actual net power supply costs were lower than authorized net power supply costs for the Washington jurisdiction by $4,225,040. The Company has absorbed approximately $4,056,260, and recorded a deferral in the rebate direction in the amount of $168,670 as illustrated below:



Per the multiparty settlement stipulation in Docket No. UE-120436, the Company’s rate adjustment trigger is $30 million. Combined with the current year deferral balance, the current deferral rebate balance is approximately $21.6 million (including interest).

In March 2017, actual power supply expense was lower than the authorized level of power supply expense primarily due to higher hydro generation and lower power purchase prices. Hydro generation was 286 aMW above the authorized level. The average purchased power price was $9.99/MWh compared to an authorized price of $23.70/MWh. The average natural gas price was $2.66/dth compared to an authorized price of $2.82/dth.

Colstrip and Kettle Falls generation was 81 aMW below and 6 aMW above the authorized level, respectively. Natural gas-fired generation was 310 aMW below 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.

There were no new contracts entered into this month.

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/(expense) for March 2017 is $454,452.

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.

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