



**Avista Corp.**

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August 16, 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, July 2017  
Docket No. UE-140188, Monthly REC Report, July 2017

Dear Mr. King:

Enclosed for electronic filing is Avista Corporation's Power Cost Deferral Report for the month of July 2017. The report includes the monthly Energy Recovery Mechanism (ERM) accounting journal together with supporting work papers (Attachment A). The native format of the 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.

As summarized on page 15 of the July 2017 Power Cost Deferral report, actual net power supply costs were higher than authorized net power costs for the Washington jurisdiction by \$1,408,116. A deferral entry was recorded in the rebate direction for \$1,056,087. Year to date, actual net power supply costs were lower than authorized net power supply costs for the Washington jurisdiction by \$5,069,878. Through July 2017, the Company has absorbed approximately \$4,267,469, and recorded a deferral in the rebate direction in the amount of \$802,409 as illustrated below:

	Total	Absorbed (Avista)	Deferred (Customer)
First \$4M at 100%	\$ 4,000,000	\$ 4,000,000	\$ -
\$4M to \$10M at 25% (rebate)	\$ 1,069,878	\$ 267,469	\$ 802,409
\$4M to \$10M at 50% (surcharge)	\$ -	\$ -	\$ -
Over \$10M at 10%	\$ -	\$ -	\$ -
	\$ 5,069,878	\$ 4,267,469	\$ 802,409

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 \$22.5 million (including interest).

In July 2017, actual power supply expense was higher than the authorized level due primarily to lower than authorized hydro generation. Hydro generation was 153 aMW below the authorized level. The average purchased power price was \$25.42/MWh compared to an authorized price of \$33.90/MWh. The average natural gas price was \$2.64/dth compared to an authorized price of \$2.68/dth.

Colstrip and Kettle Falls generation was 28 aMW and 16 aMW above the authorized level respectively. Gas-fired generation was 207 aMW above the authorized level. The net transmission expense (transmission expense less transmission revenue) was below the authorized level. Washington retail sales were 71 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 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 July 2017 is \$193,944.

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

