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May 15, 2009

Oregon Public Utility Commission  
550 Capitol Street NE, Suite 215  
Salem, Oregon 97308-2148

Attention: Ms. Vikie Bailey-Googins

Avista Utilities hereby requests the reauthorization of certain deferral accounts used to account for the costs of the company's Demand Side Management (DSM) programs. Current authorization of these accounts is set to expire at the end of June 2009 under the 12-month allowance of ORS 757.259(4). In order to extend the authorization of these accounts the following application is made.

The accounts that reauthorization is requested for are used to defer the actual program costs incurred for the installation and acquisition of DSM measures, approved advertising expenses and applicable taxes related to the company's DSM investments. Additionally, due to improved energy efficiencies achieved through the DSM programs the company loses margin revenue. This revenue represents the natural reduction in customer usage that occurs as the DSM programs are implemented; customers consume less natural gas than they would normally consume absent the programs. This lost margin revenue is deferred for future recovery from customers. Interest is also calculated at 8.21% on the average net balance of the accounts and included in the deferral accounts.

In this application the company requests permission to continue the use of sub-accounts of Account No. 186 to record the net investment related to the DSM programs.

It is estimated that approximately \$1,200,000 in conservation costs and \$60,000 in lost margin revenue will be deferred during the 12-month period ending June 30, 2010.

The outstanding balances at April 30, 2009 for the state mandated programs are:

Commercial State Mandated Program (Work Order 1817)	\$57,012
Residential State Mandated Program (Work Order 1838)	\$447,044

Additionally, the outstanding balances at April 30, 2009 for the various other programs are:

Commercial Energy Efficiency (Work Order 1819)	\$205,928
Residential High Efficiency Water Heating (Work Order 1831)	\$7,510
Residential High Efficiency Space Heating (Work Order 1832)	\$119,533
Residential High Efficiency Homes (Work Order 5008)	\$516
Residential High Efficiency Manufactured Homes (W.O. 5009)	\$141
Residential High Efficiency Washing Machines (Work Order 5010)	\$526
Tankless Water Heaters (Work Order 5087)	\$22,354
Chimney Dampers (Work Order 5088)	\$1,724
Programmable Thermostats (Work Order 5089)	\$23,510
Space Heating (Work Order 5090)	\$2,387

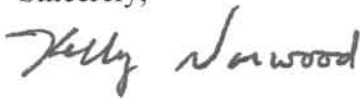
Deferral of conservation costs and associated lost margin revenue is consistent with the Commission's policy to remove disincentives to acquire DSM relative to supply-side resources. Absent reauthorization of deferred accounting, standard accounting practices would be utilized for the recording of conservation costs. These costs would be expensed until such time as they could be incorporated into rates and would act as a disincentive to DSM program continuation.

Deferral of conservation costs and lost margin revenue were originally authorized by the Public Utility Commission of Oregon on February 9, 1995 by Order No. 95-184 and reauthorization of the previously mentioned accounts was approved on June 13, 2008 by Order No. 08-325.

This application will have no effect on current company revenue or customer rates.

If you have any questions regarding this information please contact Craig Bertholf at (509) 495-4124.

Sincerely;



Kelly O. Norwood  
Vice President, Rates and Regulation

CC/Bruce Folsom  
Jon Powell  
Kerry Shroy  
Gudu Fischer

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served Avista Utilities', a division of Avista Corp, application for Reauthorization of Certain Deferral Accounts Used to Record Demand Side Management Costs upon the parties listed below by mailing a copy thereof, postage prepaid.

Judy Johnson  
Public Utility Commission  
PO Box 2148  
Salem, OR 97308-2148  
[Judy.johnson@state.or.us](mailto:Judy.johnson@state.or.us)

Citizens' Utilities Board  
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Portland, OR 97205-3404  
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[cstokes@chbh.com](mailto:cstokes@chbh.com)

Dated at Spokane, Washington this 15th day of May 2009.

  
Tracy Townley  
Executive Assistant

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2  
3 BEFORE THE PUBLIC UTILITY COMMISSION  
4 OF OREGON

5  
6 IN THE MATTER OF THE APPLICATION OF ) NOTICE OF APPLICATION  
7 AVISTA UTILITIES FOR REAUTHORIZATION ) FOR REAUTHORIZATION  
8 OF CERTAIN DEFERRAL ACCOUNTS USED TO ) OF CERTAIN DEFERRAL  
9 RECORD DEMAND SIDE MANAGEMENT COSTS ) ACCOUNTS

10  
11 Avista Utilities pursuant to ORS 757.259 applies to the  
12 Public Utility Commission of Oregon ("Commission") for an order  
13 reauthorizing the use of certain deferral accounts used to  
14 account for the net investment of the company in Demand Side  
15 Management (DSM) programs.

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17 Item 1 - DSM Program Accounts  
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19 Avista requests reauthorization to defer certain costs  
20 associated with our demand-side management programs to various  
21 sub-accounts of Account FERC 186. These costs include the  
22 installation and acquisition of DSM measures, approved  
23 advertising expenses, applicable taxes related to the company's  
24 DSM investments, lost margin revenue incurred by the company,  
25 interest and the amortization of previously approved DSM costs  
26 currently being collected from customers.

27  
28 Deferral of conservation costs and associated lost margin  
29 revenue is consistent with the Commission's policy to remove  
30 disincentives to acquire DSM relative to supply-side resources.  
31 Absent reauthorization, standard accounting practices would be  
32 utilized for the recording of conservations costs. These costs  
33 would be expensed until such time as they could be incorporated  
34 into rates and would act as a disincentive to DSM program  
35 continuation.

36  
37 It is appropriate that reauthorization of the sub-accounts  
38 of Account 186 be approved in order to minimize both the  
39 frequency of rate changes and the fluctuation of rate levels  
40 pursuant to subsection (2)(C) of ORS 757.259 and to encourage  
41 the company to continue it's long-standing support of DSM  
42 measures.

43  
44 Deferral of conservations costs and lost margin revenue to  
45 the various sub-accounts of Account 186 was originally  
46 authorized by the Public Utility Commission of Oregon on  
47 February 9, 1995 by Order No. 95-184 and subsequently  
48 reauthorized on June 13, 2008 by Order No. 08-325.

1  
2 Avista seeks, with this application, to receive  
3 reauthorization of the sub-accounts of FERC Account No. 186 for  
4 the next 12 months or until July 1, 2010.

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6 Item 2 - Notification

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8 The attached Notice of Application was sent to all parties  
9 and interested persons that participated in Avista Utilities  
10 most recent Oregon general rate case.

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12 WHEREFORE, Avista Utilities respectfully requests that  
13 reauthorization of the sub-accounts of FERC Account No. 186  
14 described above be appropriately approved.

15  
16 DATED this 15th day of May 2009.

17  
18 Respectfully submitted,  
19 Avista Utilities

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24  
25 By: \_\_\_\_\_  
26 Kelly O. Norwood, Vice President  
27 State and Federal Regulation