

**Avista Corporation**  
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May 13, 2011

Oregon Public Utility Commission  
Attention: Filing Center  
550 Capitol Street NE, Suite 215  
Salem, Oregon 97308-2148

Regarding: Docket UM 1165

The attached Application requests the reauthorization of certain deferral accounts used to account for the Company's Demand Side Management (DSM) programs. Current authorization of these accounts expires June 30, 2011 under the 12-month allowance of ORS 757.259(4).

In its 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.

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 September 2, 2010 by Order No. 10-343.

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;

A handwritten signature in black ink that reads "Kelly O. Norwood". The signature is written in a cursive, flowing style.

Kelly O. Norwood  
Vice President, Rates and Regulation

CC/Bruce Folsom  
Jon Powell  
Kerry Shroy  
Jennifer Smith

## CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that I have this day served Avista Corporation's Application for an Order Reauthorizing Deferral Accounting for the Company's Demand Side Management Programs and Notice, upon the parties listed below by mailing a copy thereof, postage prepaid and/or by electronic mail.

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W Jess Kincaid

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W Paula Pyron

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W Deborah Garcia

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W Jason W. Jones

Assistant Attorney General  
1162 Court St. NE  
Salem, OR 97301-4096  
[jason.w.jones@state.or.us](mailto:jason.w.jones@state.or.us)

I declare under penalty of perjury that the foregoing is true and correct.

Dated at Spokane, Washington this 13th day of May 2011.



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Patty Olsness  
Rates Coordinator

1  
2 BEFORE THE PUBLIC UTILITY COMMISSION  
3 OF OREGON  
4 Docket No. UM 1165

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

10  
11 Avista Utilities ("Avista" or "Company") pursuant to ORS  
12 757.259 and OAR 860-27-300(4) applies to the Public Utility  
13 Commission of Oregon ("Commission") for an order reauthorizing  
14 deferred accounting related to the net investment of the  
15 Company for Demand Side Management (DSM) programs for later  
16 inclusion in rates. The Company respectfully requests that the  
17 reauthorization become effective July 1, 2010.  
18

19 In support of this Application, the Company states:  
20

21 Avista provides natural gas service in southwestern and  
22 northeastern Oregon and is a public utility subject to the  
23 Commission's jurisdiction under ORS 757.005(1)(a)(A).  
24

25 Avista requests that all notices, pleadings and  
26 correspondence regarding this filing be sent to the following:  
27

28 Kelly Norwood  
29 Vice President, State and  
30 Federal Regulation  
31 Avista Corporation  
32 P.O. Box 3727  
33 1411 East Mission, MSC 27  
34 Spokane, WA 99220-3727  
35 (509) 495-4267  
36

David J. Meyer, Esq.  
Chief Counsel for Regulatory  
Governmental Affairs  
Avista Corporation  
P.O. Box 3727  
1411 East Mission, MSC 27  
Spokane, WA 99220-3727  
(509) 495-4316

37 This Application is filed pursuant to ORS 757.259, which  
38 empowers the Commission to authorize the deferral of expenses  
39 or revenues of a public utility for later incorporation into  
40 rates.  
41

42 Background  
43

44 Deferral of conservations costs and lost margin revenue was  
45 originally authorized on February 9, 1995 by Order No. 95-184  
46 and subsequently reauthorized on June 4, 2009 by Order No. 09-  
47 194. These costs are accumulated in various sub-accounts of  
48 FERC account 186 and, after Staff review for prudence, are

1 included in the Company's annual Purchased Gas Cost Adjustment  
2 (PGA) filing for recovery from customers.

3  
4 Description of Expenses

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6 Avista requests reauthorization to defer certain costs  
7 associated with the Company's DSM programs. These costs  
8 include the installation and acquisition of DSM measures,  
9 approved advertising expenses and any applicable taxes.  
10 Additionally, due to improved energy efficiencies, customers  
11 consume less natural gas than they would consume absent the  
12 programs so the Company loses margin revenue. This lost margin  
13 revenue is deferred for later recovery. Interest is also  
14 calculated on the average net balance, excluding margin  
15 revenue, and included in the deferral accounts.

16  
17 Deferral of conservation costs and associated lost margin  
18 revenue is consistent with the Commission's policy to remove  
19 disincentives to acquiring DSM relative to supply-side  
20 resources. Absent reauthorization, standard accounting  
21 practices would be utilized for the recording of conservation  
22 costs. These costs would be expensed until such time as they  
23 could be incorporated into rates and would act as a  
24 disincentive to DSM program continuation.

25  
26 It is appropriate that reauthorization be approved to  
27 minimize both the frequency of rate changes and the fluctuation  
28 of rate levels pursuant to subsection (2)(C) of ORS 757.259 and  
29 to encourage the Company to continue its long-standing support  
30 of DSM measures.

31  
32 Proposed Accounting

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34 Each month the Company will defer all reasonably incurred  
35 direct costs associated with the various DSM programs.  
36 Additionally, the associated lost margin will be calculated and  
37 deferred. Lost margin will be calculated by determining the  
38 annual therm reduction caused by the DSM measure. This annual  
39 number will be divided by 12 to determine the monthly lost  
40 margin therms and added to the accumulated lost margin therms  
41 from the prior month. The total accumulated lost margin therms  
42 will be multiplied by the current margin rate to calculate the  
43 lost margin amount to be recorded. The total accumulated lost  
44 margin therms are carried forward each month until the  
45 Company's has a general rate case. At the conclusion of the  
46 general rate case the accumulated lost margin therms are deemed  
47 to have been embedded in rates and are zeroed out. Interest is  
48 calculated on the average monthly balance, excluding lost  
49 margin revenue, at the Company's allowed rate of return and  
50 included in the deferral accounts.

1 Estimate of Amounts

2  
3 The Company estimates that approximately \$1,600,000 in  
4 conservation costs and \$75,000 in lost margin revenue will be  
5 deferred and added to the various DSM accounts between July 1,  
6 2010 and June 30, 2011.

7  
8 As of March 31, 2010, the outstanding balances for the  
9 various DSM programs over the past nine month period are;

10

| Program                  | FERC | Work  | Balance          |
|--------------------------|------|-------|------------------|
| Description              | Acct | Order |                  |
| Comm. State Mandated     | 186  | 1817  | \$54,424         |
| Resid. State Mandated    | 186  | 1838  | \$371,870        |
| Commercial               | 186  | 1819  | \$165,717        |
| Resid. Water Heating     | 186  | 1831  | \$8,168          |
| Resid. Space Heating     | 186  | 1832  | \$129,273        |
| Residential Homes        | 186  | 5008  | \$0              |
| Manufactured Homes       | 186  | 5009  | \$0              |
| Resid Washing Machines   | 186  | 5010  | \$11             |
| Tankless Water Heaters   | 186  | 5087  | \$26,593         |
| Chimney Dampers          | 186  | 5088  | \$1,649          |
| Programmable Thermostats | 186  | 5089  | \$23,885         |
| Space Heating            | 186  | 5090  | \$3,228          |
|                          |      |       | <u>\$784,818</u> |

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12  
13  
14 Note: These balances do not take into account amounts  
15 previously approved for recovery effective November 1, 2009 in  
16 the Company's last PGA filing in Docket UG 188.

17  
18 Avista seeks, with this application, to receive  
19 reauthorization of the sub-accounts of FERC Account No. 186,  
20 used to account for the Company's DSM programs, for the next 12  
21 months or until July 1, 2011.

22  
23 This Application will have no effect on Company revenue or  
24 customer rates.

25  
26 A copy of the attached Notice of Application and list of  
27 persons served the Notice and Application is attached as  
28 Exhibit A.

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WHEREFORE, Avista Utilities respectfully requests that the Commission reauthorize the Company to defer the costs described in this application.

Dated this 13th day of May 2010.

Respectfully submitted,  
Avista Utilities

By:   
Kelly O. Norwood, Vice President  
State and Federal Regulation

# AVISTA UTILITIES

Application for An Order  
Reauthorizing Deferred Accounting  
Related to the Net Investment for  
Demand Side Management  
Programs

EXHIBIT A

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON  
DOCKET UM 1165

NOTICE OF THE APPLICATION OF AVISTA UTILITIES FOR AN ORDER  
REAUTHORIZING THE DEFERRAL OF CERTAIN COSTS RELATED TO DEMAND SIDE  
MANAGEMENT PROGRAMS

Avista Utilities ("Avista") pursuant to ORS 757.259 has applied to the Public Utility Commission of Oregon ("Commission") for an order reauthorizing the use of certain deferral accounts for costs associated with demand-side management programs (DSM). These costs include the installation and acquisition of DSM measures, approved advertising expenses, applicable taxes related to the DSM investments, lost margin revenue and interest.

Avista seeks, with this application, to receive reauthorization of the sub-accounts of FERC Account No. 186 for the next 12 months or until July 1, 2012.

This Notice, along with the Application, is being sent to all parties and interested persons that participated in Avista Utilities most recent general rate case in Docket UG 201.

Additional copies of the Notice or Application may be obtained by calling (509) 495-4067 or writing:

Avista Utilities  
Attention: Ms. Patty Olsness  
P.O. Box 3727  
Spokane, WA 99220

Written comments regarding this Application may be submitted no later than 25 days from May 13, 2011 by mailing to:

Oregon Public Utility Commission  
Attention: Filing Center (Docket UM 1165)  
550 Capitol Street, NE  
Salem OR 97310-1380

Granting of this Application will not authorize a change in rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

DATED this 13th day of May 2011.