

Avista Corporation
1411 East Mission P.O. Box 3727
Spokane, Washington 99220-3727
Telephone 509-489-0500
Toll Free 800-727-9170



May 15, 2012

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

Regarding: Docket UM 1165

Enclosed please find an original and one copy of an Application that 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, 2012 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 July 7, 2011 by Order No. 11-254 in Docket UM 1165(7).

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 cursive script that reads "Kelly Norwood".

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.

W Chad Stokes

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W Jess Kincaid

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W Paula Pyron

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W Deborah Garcia

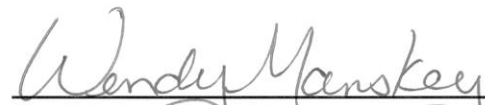
Public Utility Commission
PO Box 2148
550 Capitol St. NE, Suite 215
Salem, OR 97308-2148
deborah.garcia@state.or.us

W Jason W. Jones

Assistant Attorney General
1162 Court St. NE
Salem, OR 97301-4096
jason.w.jones@state.or.us

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

Dated at Spokane, Washington this 15th day of May 2012.



Wendy Manskey
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) ACCOUNTS
10 MANAGEMENT PROGRAMS)

11
12 Avista Utilities ("Avista" or "Company") pursuant to ORS 757.259 and OAR 860-27-
13 300(4) applies to the Public Utility Commission of Oregon ("Commission") for an order
14 reauthorizing deferred accounting related to the investment of the Company for Demand Side
15 Management (DSM) programs for later inclusion in rates. The Company respectfully requests
16 that the reauthorization become effective July 1, 2012.
17

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

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

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

26 David J. Meyer, Esq.
27 Chief Counsel for Regulatory
28 Governmental Affairs
29 Avista Corporation
30 P.O. Box 3727
31 1411 East Mission, MSC 27
32 Spokane, WA 99220-3727
33 (509) 495-4316
34

Patrick Ehrbar
Manager, Rates & Tariffs
Avista Corporation
P.O. Box 3727
1411 East Mission, MSC 27
Spokane, WA 99220-3727
(509) 495-8620

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

39 Background
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41 Deferral of conservations costs and lost margin revenue was originally authorized by
42 Order No. 93-1881 in Docket UM 636 and subsequently reauthorized on July 7, 2011 by Order

1 No. 11-254 in Docket UM 1165(7). These costs are accumulated in various sub-accounts of
2 FERC account 186 and, after Staff review for prudence, are filed in conjunction with the
3 Company's annual Purchased Gas Cost Adjustment (PGA) filing for recovery from customers.
4

5 Description of Expenses
6

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

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

21 It is appropriate that reauthorization be approved to minimize both the frequency of rate
22 changes and the fluctuation of rate levels pursuant to subsection (2)(C) of ORS 757.259 and to
23 encourage the Company to continue its long-standing support of DSM measures.
24

25 Proposed Accounting
26

27 Each month the Company will defer all reasonably incurred direct costs associated with
28 the various DSM programs. Additionally, the associated lost margin will be calculated and
29 deferred. Lost margin will be calculated by determining the annual therm reduction caused by
30 the DSM measure. This annual number will be divided by 12 to determine the monthly lost
31 margin therms and added to the accumulated lost margin therms from the prior month. The
32 total accumulated lost margin therms will be multiplied by the current margin rate to calculate
33 the lost margin amount to be recorded. The total accumulated lost margin therms are carried
34 forward each month until the Company has a general rate case. When the updated rates from
35 the general rate case become effective the accumulated lost margin therms are deemed to have
36 been embedded in rates and are zeroed out. Interest is calculated on the average monthly
37 balance, excluding lost margin revenue, at the Company's allowed rate of return and included
38 in the deferral accounts.
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40

1 Estimate of Amounts

2
3 As of March 31, 2012, the outstanding balances for the various DSM programs are;

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Program Description	FERC Acct	Work Order	Balance
Commercial State Mandated	186	1817	\$58,410
Residential State Mandated	186	1838	\$240,051
Commercial Energy Efficiency Program Costs	186	1819	\$89,682
Residential Water Heating	186	1831	\$8,553
Residential Space Heating	186	1832	\$99,376
Residential Homes	186	5008	\$0
Manufactured Homes	186	5009	\$0
Residential Washing Machines	186	5010	\$0
Tankless Water Heaters	186	5087	\$24,443
Chimney Dampers	186	5088	\$1,632
Programmable Thermostats	186	5089	\$16,301
Space Heating	186	5090	\$2,829
			<hr/> <hr/>
			\$541,277

5
6 Note: The previously mentioned balances do not take into account amounts previously
7 approved for recovery effective November 1, 2011 in Docket UG 212 per Order No. 11-457.

8
9 The Company estimates that approximately \$1,500,000 in conservation costs and
10 \$50,000 in lost margin revenue will be deferred and added to the various DSM accounts
11 between July 1, 2012 and June 30, 2013.

12
13 Avista seeks, with this application, to receive reauthorization of the sub-accounts of
14 FERC Account No. 186, used to account for the Company's DSM programs, for the next 12
15 months or until July 1, 2013.

16
17 This Application will have no effect on Company revenue or customer rates.

18
19 A copy of the attached Notice of Application and list of persons served the Notice and
20 Application is attached as Exhibit A.

21
22 WHEREFORE, Avista Utilities respectfully requests that the Commission reauthorize the
23 Company to defer the costs described in this application.
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Dated this 15th day of May 2012.

Respectfully submitted,
Avista Utilities



By:

Kelly O. Norwood, Vice President
State and Federal Regulation

AVISTA UTILITIES

Notice for 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, 2013.

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. Wendy Manskey
P.O. Box 3727
Spokane, WA 99220

Written comments regarding this Application may be submitted no later than 25 days from May 15, 2012 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 15th day of May 2012.