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

AVISTA Corp.

May 15, 2006

Oregon Public Utility Commission
550 Capitol Street NE
Salem, Oregon 97310-1380

Attention: Filing Center

The deferred accounts associated with the DSM program costs for the Oregon properties of Avista Utilities will expire at the end of June 2006 under the 12-month allowance of ORS 757.259(4). In order to extend the authorization of these accounts the following application is made.

1) DSM Program Costs include the installation and acquisition of DSM measures, approved advertising expenses and applicable taxes related to the company's DSM investments. These costs are deferred for future recovery from customers. Also, due to improved energy efficiencies achieved through the DSM programs the company loses margin revenue. This lost margin revenue is deferred for future recovery from customers.

2) Absent re-authorization of deferral accounting, standard accounting practices would be utilized for the recording of conservation costs. These would be expensed until such time as they could be incorporated into rates and would act as a disincentive to DSM program continuation.

3) Program costs are recorded in a sub-account of Account No. 186 and lost margin revenue is recorded in a sub-account of Account No. 182.

4) It is estimated that approximately \$750,000 - \$850,000 in conservation costs and \$80,000 - \$90,000 in lost margin revenue will be deferred during the 12-month period ending June 30, 2007.

5) Monthly entries record conservation costs, lost margin revenue, amortization and interest for the various DSM programs.

   Conservation costs are the actual expenditures for DSM programs incurred during the month. Lost margin revenue is the estimated reduction in revenue that occurs as DSM programs are implemented and customers consume less natural gas then they would normally consume absent the programs. Amortization is the recovery of previously deferred DSM program costs, lost margin revenue and interest. Previously amortization was calculated based on the life of the DSM program. The next PGA will request an accelerated recovery period to be more consistent with the other Oregon LDC's and as a result of discussions with the Staff. Interest is calculated at 8.88% on the average net balance and included in the deferral account.

The outstanding balances at April 30, 2006 for the various programs are:

Commercial Energy Efficiency (Work Order 1819)	$297,961
Residential High Efficiency Water Heating (Work Order 1831)	315,456
Residential High Efficiency Space Heating (Work Order 1832)	2,672,149
Commercial State Mandated Program (Work Order 1817)	21,229
Residential State Mandated Program (Work Order 1838)	310,207

6) 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 re-authorization of deferred accounting, the company would again have a disincentive to acquire cost-effective conservation.

7) 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 reauthorized on June 29, 2005 by Order No. 05-819.

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

Sincerely;

Kelly Norwood

Kelly O. Norwood
Vice President, Rates and Regulation

CC/Jon Powell
Jeanne Pluth
Kerry Shroy