



May 13, 2014

Public Utility Commission of Oregon
Attention: Filing Center
3930 Fairview Industrial Dr. SE
Salem, Oregon 97302-1166

RE: Docket UM 1165

Enclosed is an original and one copy of Avista's Application requesting Reauthorization of Certain Deferral Accounts used to account for the Company's Demand Side Management ("DSM") programs. The current authorization allowing for the deferral of these accounts expires June 30, 2014.

In its application the Company requests permission to continue the use of the sub-accounts of FERC Account No. 186 to record the net investment related to the Company's 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. 93-1881 and reauthorization of the previously mentioned accounts was approved on July 2, 2013 by Order No. 13-251 in Docket UM 1165(9).

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

If you have any questions regarding this information please contact Ryan Finesilver at (509) 495-4873.

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly O. Norwood". The signature is written in a cursive, flowing style.

Kelly O. Norwood
Vice President, State and Federal Regulation

CC: Kerry Shroy
Patrick Ehrbar

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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
Docket No. UM 1165

IN THE MATTER OF THE APPLICATION OF) APPLICATION FOR
AVISTA UTILITIES FOR AN ORDER) REAUTHORIZATION OF
REAUTHORIZING THE DEFERRAL OF) CERTAIN DEFERRAL
CERTAIN COSTS RELATED TO DEMAND) ACCOUNTS
SIDE MANAGEMENT PROGRAMS)

Avista Utilities (“Avista” or “Company”) pursuant to ORS 757.259 and OAR 860-27-0300(4) applies to the Public Utility Commission of Oregon ("Commission") for an order reauthorizing deferred accounting related to the Company’s costs for Demand Side Management (DSM) programs for later inclusion in rates. The Company respectfully requests that the reauthorization become effective July 1, 2014.

In support of this Application, the Company states:

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

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

David J. Meyer, Esq. Vice President and Chief Counsel for Regulatory and Governmental Affairs Avista Corporation P.O. Box 3727 1411 East Mission, MSC 27 Spokane, WA 99220-3727 (509) 495-4316 David.meyer@avistacorp.com	Patrick Ehrbar Manager, Rates & Tariffs Avista Corporation P.O. Box 3727 1411 East Mission, MSC 27 Spokane, WA 99220-3727 (509) 495-8620 Pat.ehrbar@avistacorp.com
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This Application is filed pursuant to ORS 757.259, which empowers the Commission to authorize the deferral of expenses or revenues of a public utility for later incorporation into rates.

Background

Deferral of conservations costs and lost margin revenue was originally authorized by Order No. 93-1881 in Docket UM 636 and subsequently reauthorized on July 02, 2013 by Order No. 13-251 in Docket UM 1165(9). These costs are accumulated in various sub-accounts of FERC Account 186 and, after Staff review for prudence, are filed in conjunction

46 with the Company's annual Purchased Gas Cost Adjustment (PGA) filing for recovery from
47 customers.

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49 Description of Expenses

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51 Avista requests reauthorization to defer certain costs associated with the Company's
52 DSM programs. These costs include the installation and acquisition of DSM measures,
53 approved advertising expenses and any applicable taxes. Additionally, due to improved
54 energy efficiencies, customers consume less natural gas than they would consume absent the
55 programs so the Company loses margin revenue. This lost margin revenue is deferred for
56 later recovery¹. Interest is also calculated on the average net balance, excluding margin
57 revenue, and included in the deferral accounts.

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

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

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70 Proposed Accounting

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72 The Company is not proposing any change to the current deferral accounting other than
73 for lost margin for July – December 2014 as explained in footnote 1. Each month the
74 Company defers all reasonably incurred direct costs associated with the various DSM
75 programs. Additionally, the associated lost margin is calculated and deferred². Lost margin
76 is calculated by determining the annual therm reduction caused by the DSM measure. This
77 annual number is divided by 12 to determine the monthly lost margin therms, and added to
78 the accumulated lost margin therms from the prior month. The total accumulated lost margin
79 therms are multiplied by the current margin rate to calculate the lost margin amount to be
80 recorded. The total accumulated lost margin therms are carried forward each month until the
81 Company has a general rate case. When the updated rates from the general rate case become
82 effective, the accumulated lost margin therms are deemed to have been embedded in rates
83 and are zeroed out. Interest is calculated on the average monthly balance, excluding lost

¹ In the Company's last general rate case (Docket UG-246), the Company's rates were set based upon forecasted 2014 billing determinants. Those 2014 billing determinants already included forecasted lost margin from the Company's DSM programs. If the Company deferred lost margin for July 2014 through December 2014, it would receive double lost margin recovery. Therefore, the Company would not defer lost margin resulting from its DSM programs until January 1, 2015.

² Id.

margin revenue, at the Company's allowed rate of return and included in the deferral accounts.

Estimate of Amounts

For the November 1, 2013 through March 31, 2014 time period, the outstanding balances for the various DSM programs are:

<u>Program Description</u>	<u>FERC Acct</u>	<u>Work Order</u>	<u>Balance</u>
Commercial State Mandated	186	1817	\$80,797
Residential State Mandated	186	1838	\$353,238
Commercial Energy Efficiency Program Costs	186	1819	\$126,807
Residential Water Heating	186	1831	\$1,434
Residential Space Heating	186	1832	\$110,971
Residential Homes	186	5008	\$0
Manufactured Homes	186	5009	\$0
Residential Washing Machines	186	5010	\$0
Tankless Water Heaters	186	5087	\$3,326
Chimney Dampers	186	5088	\$299
Programmable Thermostats	186	5089	\$17,329
Space Heating	186	5090	\$546
Low Income Weatherization	186	5182	\$384
			<u>\$695,131</u>

The Company estimates that approximately \$1,300,000 in conservation costs and will be deferred and added to the various DSM accounts between July 1, 2014 and June 30, 2015.

Avista seeks, with this application, reauthorization of the sub-accounts of FERC Account No. 186, used to account for the Company's DSM programs, for the July 1, 2014 through June 30, 2015 time period.

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

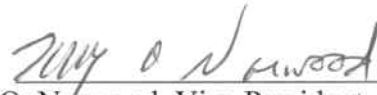
A copy of the attached Notice of Application and list of persons served the Notice and Application is attached as Exhibit A.

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

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Dated this 13th day of May 2014.

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 July 1, 2014 through June 30, 2015 time period.

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-246.

Additional copies of the Notice or Application may be obtained by calling (509) 495-4565 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, 2014 by mailing to:

Public Utility Commission of Oregon
Attention: Filing Center
3930 Fairview Industrial Dr. SE
Salem, Oregon 97302-1166

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 2014.

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

Tommy A. Brooks
Cable Huston Benedict
Haagensen & Lloyd, LLP
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W Bob Jenks

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W Jess Kincaid

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W Ed Finklea

Executive Director
Northwest Industrial Gas Users
P.O Box 2058
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W Deborah Garcia


Public Utility Commission
3930 Fairview Industrial Dr SE
Salem, OR 97302-1166
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 2014.


Wendy Manskey
Rates Coordinator