

**Avista Corp.**

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September 3, 2008

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

Pursuant to ORS 757.259 and OAR 860-27-300(4) Avista Utilities submits an original and ten (10) copies of a request for an order authorizing it to utilize deferred accounting for purchase gas cost differences and intervenor funding grants provided to various qualifying organizations.

Avista seeks, with this application, to receive additional authorization of these deferrals for the twelve month period beginning November 1, 2008 and ending October 31, 2009.

Please direct any questions regarding this order request to Craig Bertholf at (509) 495-4124 or Brian Hirschhorn at (509) 495-4723.

Sincerely,

A handwritten signature in cursive script that reads "Kelly O. Norwood".

Kelly O. Norwood, Vice President  
State and Federal Regulation

Enclosure

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BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

IN THE MATTER OF THE APPLICATION OF ) APPLICATION FOR  
AVISTA UTILITIES FOR AN ORDER ) AUTHORIZATION TO  
AUTHORIZING DEFERRAL OF CERTAIN ) DEFER COST  
COSTS )

Avista Utilities (“Avista” or “Company”) pursuant to ORS 757.259 and OAR 860-27-300(4) applies to the Public Utility Commission of Oregon (“Commission”) for an order authorizing it to utilize deferred accounting for purchased gas cost differences and intervenor funding grants provided to various qualifying organizations. The Company respectfully requests that the authorization become effective November 1, 2008.

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:

Kelly Norwood  
Vice President, State and Federal  
Regulation  
Avista Corporation  
P.O. Box 3727  
1411 E. Mission, MSC-13  
Spokane, WA 99220-3727  
(509) 495-4267

David J. Meyer, Esq.  
Chief Counsel for Regulatory and  
Governmental Affairs  
Avista Corporation  
P.O. Box 3727  
1411 E. Mission, MSC-13  
Spokane, WA 99220-3727  
(509) 495-4316

1           This Application is filed pursuant to ORS 757.259, which empowers the  
2 Commission to authorize the deferral of expenses or revenues of a public utility for  
3 later incorporation in rates.

#### 4   PGA BALANCING ACCOUNTS

5           The Company requests authorization to continue deferring gas cost differences  
6 as set forth currently in Schedule 461, Purchased Gas Cost (PGA) Adjustment  
7 Provision. These deferral differences have been accumulated for distribution to or  
8 collection from customers at a later date consistent with the dictates of the PGA  
9 methodology.

10          Currently these differences have been recorded in Account No. 191905  
11 Commodity Deferrals and, Account No. 191906 Demand Deferrals. Effective  
12 November 1, 2008 the Company plans to consolidate all the PGA amortization  
13 accounts into these accounts and begin amortizing the net balances. Additionally,  
14 effective November 1, 2008 the Company requests authorization to utilize two new  
15 accounts for gas cost differences, namely 1) Account No. 191907 Commodity Deferrals  
16 and 2) Account No. 191908 Demand Deferrals.

17          Due to the volatility of the price of gas purchased and transported for customer  
18 use the associated costs are difficult to establish with any degree of certainty. This  
19 volatility makes the use of deferred accounting extremely important.

20          It is appropriate that deferred accounting be authorized for the same reasons that  
21 originally established the PGA mechanism. Namely, deferred accounting minimizes  
22 both the frequency of rate changes and the fluctuation of rate levels pursuant to  
23 subsection (2) (C) of ORS 757.259.

1           Absent the approval of deferred accounting, standard accounting practices  
2 would be utilized for the recording of expenses and customers would not receive any of  
3 the benefits of changes in the cost of gas. Therefore, deferral accountings should  
4 continue to be authorized in order to permit the benefits of open access purchases to  
5 flow to the Oregon customers of Avista.

6           The Company seeks, with this application, to receive authorization of Account  
7 No. 191907 Commodity Deferrals and Account No. 191908 Demand Deferrals for the  
8 twelve month period beginning November 1, 2008 and ending October 31, 2009.

#### 9 INTERVENOR FUNDING ACCOUNTS

10           On June 6, 2003, the Governor signed Or Laws 2003, ch 234 (formerly known  
11 as Senate Bill 205, the “Intervenor Funding Act”) into law. Section 2 of the Act  
12 authorizes the Commission to approve written agreements for intervenor funding  
13 grants between electric and natural gas utilities and qualifying organizations  
14 representing broad customer interests. Such grants would be used by these qualifying  
15 organizations when participating in certain types of regulatory proceedings before the  
16 Commission. Section 2 of the Act also authorizes the Commission to establish rules  
17 with respect to funding agreements for determining which organizations are eligible  
18 for financial assistance, the amount of assistance that may be provided, the manner in  
19 which assistance will be distributed, and other necessary administrative matters.

20           In addition, Section 2 of the Intervenor Funding Act provides:

21           “The commission shall allow a public utility that provides financial assistance  
22 under this section to recover the amounts so provided in rates. The commission  
23 shall allow a public utility to defer inclusion of those amounts in rates as  
24 provided in ORS 757.259 if the public utility so elects.”  
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1           Also, ORS 757-259(3), as amended by section 3 of the Intervenor Funding Act,  
2 provides:

3           “Upon request of the public utility, the commission by order shall allow deferral  
4 of amounts provided as financial assistance under an agreement entered into  
5 under section 2 of this 2003 Act for later incorporation in rates.”  
6

7           On November 8, 2007 in Order No. 07-487 the Commission approved the  
8 Intervenor Funding Agreement between Avista Utilities, Citizens’ Utility Board of  
9 Oregon (CUB) and Northwest Industrial Gas Users (NWIGU). This agreement  
10 established an intervenor funding program for 2007 and provided \$30,000 for each of  
11 three funds from which grants could be made (CUB Fund, Preauthorized Matching  
12 Fund and an Issues Fund). The parties also agreed that any unspent funds remaining  
13 after December 31, 2007 would be carried over and made available for use in 2008  
14 under the same terms of the agreement or under any successor intervenor funding  
15 agreement entered into between Avista, CUB and NWIGU for 2008.

16           In accordance with the statutory authority provided by ORS 757.259(3), as  
17 amended, and the Commission’s approval of the Intervenor Funding Agreement,  
18 Avista recorded and deferred intervenor funding grants in Account No. 191720  
19 Intervenor Funding – Citizens Utility Board, Account No. 191721 Intervenor Funding  
20 – Pre Authorized Matching Fund and, Account No. 191722 - Intervenor Funding –  
21 Issues Fund for later inclusion in rates with its annual PGA filing.

22           Absent Commission’s authorization of deferred accounting, the Company  
23 would not incur the cost of Intervenor Funding Grants.

24           Avista seeks, with this application, to receive authorization of these intervenor  
25 funding accounts, namely Account No. 191720 Intervenor Funding – Citizens Utility

1 Board, Account No. 191721 Intervenor Funding – Pre Authorized Matching Fund and,  
2 Account No. 191722 - Intervenor Funding – Issues Fund for the twelve month period  
3 beginning November 1, 2008 and ending October 31, 2009.

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

6 WHEREFORE, Avista Utilities respectfully requests that its PGA deferral  
7 accounts and Intervenor Funding Grant deferral accounts described above be  
8 appropriately authorized for the twelve month period beginning November 1, 2008 and  
9 ending October 31, 2009.

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11 DATED this 3rd day of September 2008.

12 Respectfully submitted,

13 Avista Utilities

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By: 

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Kelly O. Norwood, Vice President  
State and Federal Regulation

## CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that I have this day served Avista's Application for Authorization to Defer Costs, upon the parties listed below by mailing a copy thereof, postage prepaid and/or by electronic mail when paper service has been waived.

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

W Citizens' Utilities Board  
610 SW Broadway, Suite 308  
Portland, OR 97205-3404  
[Bob@OregonCUB.org](mailto:Bob@OregonCUB.org)

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

W Paula Pyron  
Northwest Industrial Gas Users  
4113 Wolf Berry Ct.  
Lake Oswego, OR 97035-1827  
[ppyron@nwigu.org](mailto:ppyron@nwigu.org)

W Chad M. Stokes  
Cable Huston Benedicet Haagensen & Lloyd LLP  
1001 SW Fifth Ave., Suite 2000  
Portland, OR 97204-1136  
[cstokes@chbh.com](mailto:cstokes@chbh.com)

Dated at Spokane, Washington this 3rd day of September 2008.

  
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Patty Olsness  
Rates Coordinator