

Avista Corp.

1411 East Mission PO Box 3727
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Corp.

August 31, 2010

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.

Avista seeks, with this application, to receive additional authorization of these deferrals for the twelve month period beginning November 1, 2010 and ending October 31, 2011.

Please direct any questions regarding this order request to Patrick Ehrbar at (509) 495-8620 or Craig Bertholf at (509) 495-4124.

Sincerely,

A handwritten signature in cursive script that reads "Kelly O. Norwood". The signature is written in black ink and is positioned above the typed name.

Kelly O. Norwood, Vice President
State and Federal Regulation

Enclosure

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that I have this day served Avista Utilities', a division of Avista Corp, application for reauthorization to utilize deferred accounting for purchase gas cost differences upon the parties listed below by mailing a copy thereof, postage prepaid and/or by electronic mail when paper service has been waived.

Chad M. Stokes (Waived)
Cable Huston Benedict
Haagensen & Lloyd, LLP
1001 SW 5th, Suite 2000
Portland, OR 97204-1136
cstokes@cablehuston.com

Citizens' Utilities Board (Waived)
610 SW Broadway, Suite 308
Portland, OR 97205-3404
Bob@OregonCUB.org

Ms. Paula Pyron (Waived)
Executive Director
Northwest Industrial Gas Users
4113 Wolfberry Court
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Judy Johnson
Public Utility Commission
P.O. Box 2148
Salem, OR 97308-2148
judy.johnson@state.or.us

David Hatton
Assistant Attorney General
1162 Court Street N.E.
Salem, OR 97301-4096
David.hatton@state.or.us

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

Dated at Spokane, Washington this 31st day of August, 2010.



Patrick Ehrbar
Manager, Rates and Tariffs

1
2 BEFORE THE PUBLIC UTILITY COMMISSION
3 OF OREGON
4 Docket No. UM 1447

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 PURCHASED GAS COSTS) ACCOUNTS
10 DIFFERENCES)

11
12 Avista Utilities ("Avista" or "Company") pursuant to ORS
13 757.259 and OAR 860-27-300(4) applies to the Public Utility
14 Commission of Oregon ("Commission") for an order authorizing it
15 to utilize deferred accounting for purchased gas cost
16 differences. The Company respectfully requests that the
17 authorization become effective November 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	David J. Meyer, Esq.
29 Vice President, State and	Chief Counsel for Regulatory
30 Federal Regulation	Governmental Affairs
31 Avista Corporation	Avista Corporation
32 P.O. Box 3727	P.O. Box 3727
33 1411 East Mission, MSC 27	1411 East Mission, MSC 27
34 Spokane, WA 99220-3727	Spokane, WA 99220-3727
35 (509) 495-4267	(509) 495-4316

36

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 purchased gas cost differences was previously
45 authorized on November 11, 2009 by Order No. 09-447.
46
47
48

1 Description of Expenses
2

3 Currently the Company accumulates the purchased gas cost
4 differences in two sub-accounts of FERC account number 191,
5 namely account number 191909 and account number 191910.
6 Account number 191909 is used to record the commodity portion
7 of purchased gas cost differences and account number 191910 is
8 used to record the demand portion. After the Commission
9 determines these costs were prudently incurred, these
10 differences are included in the Company's annual Purchased Gas
11 Cost Adjustment (PGA) filing for refund or surcharge to
12 customers.
13

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

20 It is appropriate that deferred accounting be authorized for
21 the purchased gas cost differences for the same reasons that
22 originally established the PGA mechanism. Namely, deferred
23 accounting minimizes both the frequency of rate changes and the
24 fluctuation of rate levels pursuant to subsection (2)(C) of ORS
25 757.259.
26

27 Absent reauthorization, standard accounting practices would
28 be utilized for the recording of expenses, and customers would
29 not receive any of the benefits of changes in the cost of gas.
30 Therefore, deferred accounting should continue to be authorized
31 in order to permit the benefits of open access purchases to
32 flow to customers.
33

34 Proposed Accounting
35

36 The commodity portion of purchased gas cost differences
37 includes the actual cost of purchasing natural gas, the
38 variable cost of transporting the gas from the supply basins to
39 the citygate, the benefits received from storage optimization,
40 off system sales and other miscellaneous costs. These costs
41 are compared with the actual commodity costs collected from
42 customers and the difference is recorded monthly to account
43 number 191909.
44

45 The demand portion of the purchased gas cost differences
46 includes fixed pipeline costs and capacity releases. These
47 costs are compared with the actual demand costs collected from
48 customers and the difference is recorded monthly to account
49 number 191910.
50

51 Interest is also calculated on the average net balance and

1 included in the deferral accounts.
2

3 Current Deferral Balances
4

5 As of June 30, 2010, the outstanding balances for the
6 purchased gas cost deferral accounts are;
7

8 Account 191909, Commodity Deferrals	<\$2,599,943>
9 Account 191910, Demand Deferrals	<\$399,843>
10	
11 Total	<u><\$2,999,786></u>
12	=====
13	
14	

15 Avista seeks with this application to receive authorization
16 of the sub-accounts of FERC Account No. 191 used to account for
17 the Company's purchased gas cost differences for the next 12
18 months or until November 1, 2011.
19

20 This Application will have no effect on Company revenue or
21 customer rates.
22

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

27 WHEREFORE, Avista Utilities respectfully requests that the
28 Commission reauthorize the Company to defer the costs described
29 in this application.
30

31 Dated this 31st day of August 2010.
32

33 Respectfully submitted,
34 Avista Utilities
35

36
37
38 

39 By: _____
40 Kelly O. Norwood, Vice President
41 State and Federal Regulation
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