

**Avista Corporation**  
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August 19, 2011

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, 2011 and ending October 31, 2012.

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".

Kelly O. Norwood, Vice President  
State and Federal Regulation

Enclosure



1 Commission to authorize the deferral of expenses or revenues of a public utility for  
2 later incorporation into rates.

3  
4 BACKGROUND

5 Deferral of purchased gas cost differences was previously authorized on  
6 November 03, 2010 by Order No. 10-440.

7  
8 DESCRIPTION OF EXPENSES

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

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

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

23 Absent reauthorization, standard accounting practices would be utilized for the

1 recording of expenses, and customers would not receive any of the benefits of changes  
2 in the cost of gas. Therefore, deferred accounting should continue to be authorized in  
3 order to permit the benefits of open access purchases to flow to customers.

4  
5 PROPOSED ACCOUNTING

6 The commodity portion of purchased gas cost differences includes the actual cost  
7 of purchasing natural gas, the variable cost of transporting the gas from the supply  
8 basins to the citygate, the benefits received from storage optimization, off system sales  
9 and other miscellaneous costs. These costs are compared with the actual commodity  
10 costs collected from customers and 90% of the difference is recorded monthly to  
11 account number 191909.

12 The demand portion of the purchased gas cost differences includes fixed pipeline  
13 costs, capacity releases and miscellaneous pipeline related refunds or surcharges.  
14 These costs are compared with the actual demand costs collected from customers and  
15 the difference is recorded monthly to account number 191910.

16 Interest is also calculated on the average net balance and included in the deferral  
17 accounts.

18 CURRENT DEFERRAL BALANCES

19 As of June 30, 2011, the outstanding balances for the purchased gas cost deferral  
20 accounts are;

21	Account 191909, Commodity Deferrals	<\$2,716,659>
22	Account 191910, Demand Deferrals	<\$1,827,685>
23		
24	Total	<u>&lt;\$4,544,344&gt;</u>
25		=====

26 Avista seeks with this application to receive reauthorization of the sub-accounts

1 of FERC Account No. 191 used to account for the Company's purchased gas cost  
2 differences for the next 12 months or until November 1, 2012.

3 This Application will have no effect on Company revenue or customer rates. A  
4 copy of the attached Notice of Application and list of persons served the Notice and  
5 Application is attached as Exhibit A.

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

8 DATED this 19th day of August 2011.

9 Respectfully submitted,

10 Avista Utilities

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By: \_\_\_\_\_

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Kelly O. Norwood, Vice President  
State and Federal Regulation

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