

Avista Corp.
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May 13, 2008

Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, Oregon 97308-2148

Attention: Ms. Vikie Bailey-Googins

Avista Utilities hereby requests the reauthorization of certain deferral accounts used to account for the costs of the company's Demand Side Management (DSM) programs. Current authorization of these accounts is set to expire at the end of June 2008 under the 12-month allowance of ORS 757.259(4). In order to extend the authorization of these accounts the following application is made.

The accounts that reauthorization is requested for are used to defer the actual program costs incurred for the installation and acquisition of DSM measures, approved advertising expenses and applicable taxes related to the company's DSM investments. Additionally, due to improved energy efficiencies achieved through the DSM programs the company loses margin revenue. This revenue represents the natural reduction in customer usage that occurs as the DSM programs are implemented; customers consume less natural gas than they would normally consume absent the programs. This lost margin revenue is deferred for future recovery from customers. Interest is also calculated at 8.21% on the average net balance of the accounts and included in the deferral accounts.

In this application the company requests permission to continue the use of sub-accounts of Account No. 186 to record the net investment related to the DSM programs.

It is estimated that approximately \$1,000,000 in conservation costs and \$20,000 in lost margin revenue will be deferred during the 12-month period ending June 30, 2009.

The outstanding balances at April 30, 2008 for the state mandated programs are:

Commercial State Mandated Program (Work Order 1817)	\$42,865
Residential State Mandated Program (Work Order 1838)	\$356,597

Additionally, the outstanding balances at April 30, 2008 for the various other programs are:

Commercial Energy Efficiency (Work Order 1819)	\$413,364
Residential High Efficiency Water Heating (Work Order 1831)	\$190,481
Residential High Efficiency Space Heating (Work Order 1832)	\$1,642,778
Residential High Efficiency Homes (Work Order 5008)	\$281,940
Residential High Efficiency Manufactured Homes (W.O. 5009)	\$16,946
Residential High Efficiency Washing Machines (Work Order 5010)	\$98,155
Tankless Water Heaters (Work Order 5087)	\$39,706
Chimney Dampers (Work Order 5088)	\$4,996
Programmable Thermostats (Work Order 5089)	\$35,973
Space Heating (Work Order 5090)	\$8,849

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 reauthorization of deferred accounting, standard accounting practices would be utilized for the recording of conservation costs. These costs would be expensed until such time as they could be incorporated into rates and would act as a disincentive to DSM program continuation.

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 reauthorization of the previously mentioned accounts was approved on July 16, 2007 by Order No. 07-295.

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

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

Sincerely;



Kelly O. Norwood
Vice President, Rates and Regulation

CC/Bruce Folsom
Jon Powell
Kerry Shroy
Gudu Mosher

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served Avista Utilities', a division of Avista Corp, application for Reauthorization of Certain Deferral Accounts Used to Record Demand Side Management Costs upon the parties listed below by mailing a copy thereof, postage prepaid.

Judy Johnson
Public Utility Commission
PO Box 2148
Salem, OR 97308-2148
Judy.johnson@state.or.us

Citizens' Utilities Board
610 SW Broadway, Suite 308
Portland, OR 97205-3404
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Paula Pyron
Northwest Industrial Gas Users
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Edward A. Finklea
Chad M. Stokes
Cable Huston Benedictet Haagensen & Lloyd LLP
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Dated at Spokane, Washington this 13th day of May 2008.



Patty Olsness
Rates Coordinator

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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

IN THE MATTER OF THE APPLICATION OF) NOTICE OF APPLICATION
AVISTA UTILITIES FOR REAUTHORIZATION) FOR REAUTHORIZATION
OF CERTAIN DEFERRAL ACCOUNTS USED TO) OF CERTAIN DEFERRAL
RECORD DEMAND SIDE MANAGEMENT COSTS) ACCOUNTS

Avista Utilities pursuant to ORS 757.259 applies to the Public Utility Commission of Oregon ("Commission") for an order reauthorizing the use of certain deferral accounts used to account for the net investment of the company in Demand Side Management (DSM) programs.

Item 1 - DSM Program Accounts

Avista requests reauthorization to defer certain costs associated with our demand-side management programs to various sub-accounts of Account FERC 186. These costs include the installation and acquisition of DSM measures, approved advertising expenses, applicable taxes related to the company's DSM investments, lost margin revenue incurred by the company, interest and the amortization of previously approved DSM costs currently being collected from customers.

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 reauthorization, standard accounting practices would be utilized for the recording of conservations costs. These costs would be expensed until such time as they could be incorporated into rates and would act as a disincentive to DSM program continuation.

It is appropriate that reauthorization of the sub-accounts of Account 186 be approved in order to minimize both the frequency of rate changes and the fluctuation of rate levels pursuant to subsection (2)(C) of ORS 757.259 and to encourage the company to continue it's long-standing support of DSM measures.

Deferral of conservations costs and lost margin revenue to the various sub-accounts of Account 186 was originally authorized by the Public Utility Commission of Oregon on February 9, 1995 by Order No. 95-184 and subsequently reauthorized on July 16, 2007 by Order No. 07-295.

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Avista seeks, with this application, to receive reauthorization of the sub-accounts of FERC Account No. 186 for the next 12 months or until July 1, 2009.

Item 2 - Notification

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

WHEREFORE, Avista Utilities respectfully requests that reauthorization of the sub-accounts of FERC Account No. 186 described above be appropriately approved.

DATED this 13th day of May 2008.

Respectfully submitted,
Avista Utilities



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