



**Avista Corp.**  
1411 East Mission P.O. Box 3727  
Spokane, Washington 99220-0500  
Telephone 509-489-0500  
Toll Free 800-727-9170

May 15, 2013

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

RE: Docket UM 1165

Enclosed please find an original and one copy of an 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, 2013.

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. 95-184 and reauthorization of the previously mentioned accounts was approved on June 5, 2012 by Order No. 12-200 in Docket UM 1165(8).

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 that reads "Kelly Norwood". The signature is written in a cursive, flowing style.

Kelly O. Norwood  
Vice President, State and Federal Regulation

CC: Kerry Shroy  
Patrick Ehrbar

1  
2 BEFORE THE PUBLIC UTILITY COMMISSION  
3 OF OREGON  
4 Docket No. UM 1165  
5

6 IN THE MATTER OF THE APPLICATION OF ) APPLICATION FOR  
7 AVISTA UTILITIES FOR AN ORDER ) REAUTHORIZATION OF  
8 REAUTHORIZING THE DEFERRAL OF ) CERTAIN DEFERRAL  
9 CERTAIN COSTS RELATED TO DEMAND ) ACCOUNTS  
10 SIDE MANAGEMENT PROGRAMS )  
11

12 Avista Utilities ("Avista" or "Company") pursuant to ORS 757.259 and OAR 860-27-  
13 0300(4) applies to the Public Utility Commission of Oregon ("Commission") for an order  
14 reauthorizing deferred accounting related to the Company's costs for Demand Side  
15 Management (DSM) programs for later inclusion in rates. The Company respectfully  
16 requests that the reauthorization become effective July 1, 2013.  
17

18 In support of this Application, the Company states:  
19

20 Avista provides natural gas service in southwestern and northeastern Oregon and is a  
21 public utility subject to the Commission's jurisdiction under ORS 757.005(1)(a)(A).  
22

23 Avista requests that all notices, pleadings and correspondence regarding this filing be  
24 sent to the following:  
25

26 David J. Meyer, Esq.  
27 Vice President and Chief Counsel for  
28 Regulatory and Governmental Affairs  
29 Avista Corporation  
30 P.O. Box 3727  
31 1411 East Mission, MSC 27  
32 Spokane, WA 99220-3727  
33 (509) 495-4316  
34 [David.meyer@avistacorp.com](mailto:David.meyer@avistacorp.com)  
35

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](mailto:Pat.ehrbar@avistacorp.com)

36 This Application is filed pursuant to ORS 757.259, which empowers the Commission  
37 to authorize the deferral of expenses or revenues of a public utility for later incorporation into  
38 rates.  
39

40  
41 Background  
42

43 Deferral of conservation costs and lost margin revenue was originally authorized by  
44 Order No. 93-1881 in Docket UM 636 and subsequently reauthorized on June 5, 2012 by  
45 Order No. 12-200 in Docket UM 1165(8). These costs are accumulated in various sub-



46 accounts of FERC account 186 and, after Staff review for prudence, are filed in conjunction  
47 with the Company's annual Purchased Gas Cost Adjustment (PGA) filing for recovery from  
48 customers.  
49

50  
51 Description of Expenses

52  
53 Avista requests reauthorization to defer certain costs associated with the Company's  
54 DSM programs. These costs include the installation and acquisition of DSM measures,  
55 approved advertising expenses and any applicable taxes. Additionally, due to improved  
56 energy efficiencies, customers consume less natural gas than they would consume absent the  
57 programs so the Company loses margin revenue. This lost margin revenue is deferred for  
58 later recovery. Interest is also calculated on the average net balance, excluding margin  
59 revenue, and included in the deferral accounts.  
60

61 Deferral of conservation costs and associated lost margin revenue is consistent with the  
62 Commission's policy to remove disincentives to acquiring DSM resources relative to supply-  
63 side resources. Absent reauthorization, standard accounting practices would be utilized for  
64 the recording of conservation costs. These costs would be expensed until such time as they  
65 could be incorporated into rates and would act as a disincentive to DSM program  
66 continuation.  
67

68 It is appropriate that reauthorization be approved to minimize both the frequency of rate  
69 changes and the fluctuation of rate levels pursuant to subsection (2)(E) of ORS 757.259 and  
70 to encourage the Company to continue its long-standing support of DSM measures.  
71

72  
73 Proposed Accounting

74  
75 The Company is not proposing any change to the current deferral accounting. Each  
76 month the Company defers all reasonably incurred direct costs associated with the various  
77 DSM programs. Additionally, the associated lost margin is calculated and deferred. Lost  
78 margin is calculated by determining the annual therm reduction caused by the DSM measure.  
79 This annual number is divided by 12 to determine the monthly lost margin therms, and added  
80 to the accumulated lost margin therms from the prior month. The total accumulated lost  
81 margin therms are multiplied by the current margin rate to calculate the lost margin amount  
82 to be recorded. The total accumulated lost margin therms are carried forward each month  
83 until the Company has a general rate case. When the updated rates from the general rate case  
84 become effective, the accumulated lost margin therms are deemed to have been embedded in  
85 rates and are zeroed out. Interest is calculated on the average monthly balance, excluding  
86 lost margin revenue, at the Company's allowed rate of return and included in the deferral  
87 accounts.  
88  
89  
90

91  
92  
93  
94

Estimate of Amounts

As of March 31, 2013, 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	\$59,298
Residential State Mandated	186	1838	\$253,378
Commercial Energy Efficiency Program Costs	186	1819	\$152,945
Residential Water Heating	186	1831	\$6,453
Residential Space Heating	186	1832	\$123,420
Residential Homes	186	5008	\$0
Manufactured Homes	186	5009	\$0
Residential Washing Machines	186	5010	\$0
Tankless Water Heaters	186	5087	\$18,379
Chimney Dampers	186	5088	\$785
Programmable Thermostats	186	5089	\$21,518
Space Heating	186	5090	\$1,819
			\$637,995

95  
96  
97  
98  
99  
100  
101  
102  
103  
104  
105  
106  
107  
108  
109  
110  
111  
112  
113

The Company estimates that approximately \$1,500,000 in conservation costs and \$50,000 in lost margin revenue will be deferred and added to the various DSM accounts between July 1, 2013 and June 30, 2014.

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 next 12 months or until July 1, 2014.

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.

114  
115  
116  
117  
118  
119  
120  
121  
122  
123  
124  
125  
126  
127  
128

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

Dated this 15th day of May 2013.

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 next 12 months or until July 1, 2014.

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 201.

Additional copies of the Notice or Application may be obtained by calling (509) 495-4067 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, 2013 by mailing to:

Public Utility Commission of Oregon  
Attention: Filing Center (Docket UM 1165)  
550 Capitol Street, NE  
Salem OR 97310-1380

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 15th day of May 2013.

## 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  
1001 SW 5th, Suite 2000  
Portland, OR 97204-1136  
[cstokes@cablehuston.com](mailto:cstokes@cablehuston.com)  
[tbrooks@cablehuston.com](mailto:tbrooks@cablehuston.com)

W Bob Jenks

Catriona McCracken  
Nadine Hanhan  
Citizens' Utilities Board  
610 SW Broadway, Suite 400  
Portland, OR 97205-3404  
[Bob@OregonCUB.org](mailto:Bob@OregonCUB.org)  
[dockets@oregoncub.org](mailto:dockets@oregoncub.org)  
[Nadine@oregonCUB.org](mailto:Nadine@oregonCUB.org)  
[catriona@OregonCUB.org](mailto:catriona@OregonCUB.org)

W Jess Kincaid

Community Action Partnership of Oregon  
PO Box 7964  
Salem, OR 97301  
[jess@caporegon.org](mailto:jess@caporegon.org)

W Ed Finklea

Executive Director  
Northwest Industrial Gas Users  
P.O Box 2058  
Tualatin, OR 97062-2058  
[efinklea@nwigu.org](mailto:efinklea@nwigu.org)

W Deborah Garcia

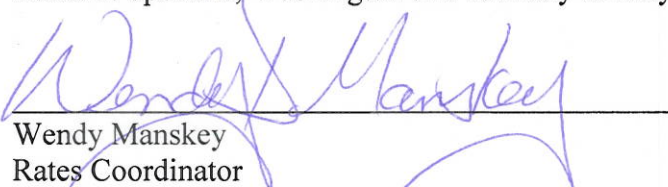
Public Utility Commission  
PO Box 2148  
550 Capitol St. NE, Suite 215  
Salem, OR 97308-2148  
[deborah.garcia@state.or.us](mailto:deborah.garcia@state.or.us)

W Jason W. Jones

Assistant Attorney General  
1162 Court St. NE  
Salem, OR 97301-4096  
[jason.w.jones@state.or.us](mailto: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 2013.

  
Wendy Manskey  
Rates Coordinator