

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



Corp.

May 14, 2010

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

Regarding: Docket UM 1165

The attached Application requests the reauthorization of certain deferral accounts used to account for the Company's Demand Side Management (DSM) programs. Current authorization of these accounts expires June 30, 2010 under the 12-month allowance of ORS 757.259(4).

In its 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.

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 4, 2009 by Order No. 09-194.

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;

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

Kelly O. Norwood
Vice President, Rates and Regulation

CC/Bruce Folsom
Jon Powell
Kerry Shroy
Linda Donley

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

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 DEMAND SIDE MANAGEMENT) ACCOUNTS

10
11 Avista Utilities ("Avista" or "Company") pursuant to ORS
12 757.259 and OAR 860-27-300(4) applies to the Public Utility
13 Commission of Oregon ("Commission") for an order reauthorizing
14 deferred accounting related to the net investment of the
15 Company for Demand Side Management (DSM) programs for later
16 inclusion in rates. The Company respectfully requests that the
17 reauthorization become effective July 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 conservations costs and lost margin revenue was
45 originally authorized on February 9, 1995 by Order No. 95-184
46 and subsequently reauthorized on June 4, 2009 by Order No. 09-
47 194. These costs are accumulated in various sub-accounts of
48 FERC account 186 and, after Staff review for prudence, are

1 included in the Company's annual Purchased Gas Cost Adjustment
2 (PGA) filing for recovery from customers.
3

4 Description of Expenses
5

6 Avista requests reauthorization to defer certain costs
7 associated with the Company's DSM programs. These costs
8 include the installation and acquisition of DSM measures,
9 approved advertising expenses and any applicable taxes.
10 Additionally, due to improved energy efficiencies, customers
11 consume less natural gas than they would consume absent the
12 programs so the Company loses margin revenue. This lost margin
13 revenue is deferred for later recovery. Interest is also
14 calculated on the average net balance, excluding margin
15 revenue, and included in the deferral accounts.
16

17 Deferral of conservation costs and associated lost margin
18 revenue is consistent with the Commission's policy to remove
19 disincentives to acquiring DSM relative to supply-side
20 resources. Absent reauthorization, standard accounting
21 practices would be utilized for the recording of conservation
22 costs. These costs would be expensed until such time as they
23 could be incorporated into rates and would act as a
24 disincentive to DSM program continuation.
25

26 It is appropriate that reauthorization be approved to
27 minimize both the frequency of rate changes and the fluctuation
28 of rate levels pursuant to subsection (2)(C) of ORS 757.259 and
29 to encourage the Company to continue its long-standing support
30 of DSM measures.
31

32 Proposed Accounting
33

34 Each month the Company will defer all reasonably incurred
35 direct costs associated with the various DSM programs.
36 Additionally, the associated lost margin will be calculated and
37 deferred. Lost margin will be calculated by determining the
38 annual therm reduction caused by the DSM measure. This annual
39 number will be divided by 12 to determine the monthly lost
40 margin therms and added to the accumulated lost margin therms
41 from the prior month. The total accumulated lost margin therms
42 will be multiplied by the current margin rate to calculate the
43 lost margin amount to be recorded. The total accumulated lost
44 margin therms are carried forward each month until the
45 Company's has a general rate case. At the conclusion of the
46 general rate case the accumulated lost margin therms are deemed
47 to have been embedded in rates and are zeroed out. Interest is
48 calculated on the average monthly balance, excluding lost
49 margin revenue, at the Company's allowed rate of return and
50 included in the deferral accounts.

1 Estimate of Amounts

2
3 The Company estimates that approximately \$1,500,000 in
4 conservation costs and \$90,000 in lost margin revenue will be
5 deferred and added to the various DSM accounts between July 1,
6 2010 and June 30, 2011.

7
8 As of March 31, 2010, the outstanding balances for the
9 various DSM programs over the past nine month period are;

10

Program Description	FERC Acct	Work Order	Balance
Comm. State Mandated	186	1817	\$54,424
Resid. State Mandated	186	1838	\$371,870
Commercial	186	1819	\$165,717
Resid. Water Heating	186	1831	\$8,168
Resid. Space Heating	186	1832	\$129,273
Residential Homes	186	5008	\$0
Manufactured Homes	186	5009	\$0
Resid Washing Machines	186	5010	\$11
Tankless Water Heaters	186	5087	\$26,593
Chimney Dampers	186	5088	\$1,649
Programmable Thermostats	186	5089	\$23,885
Space Heating	186	5090	\$3,228
			<u>\$784,818</u>

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12
13
14 Note: These balances do not take into account amounts
15 previously approved for recovery effective November 1, 2009 in
16 the Company's last PGA filing in Docket UG 188.

17
18 Avista seeks, with this application, to receive
19 reauthorization of the sub-accounts of FERC Account No. 186,
20 used to account for the Company's DSM programs, for the next 12
21 months or until July 1, 2011.

22
23 This Application will have no effect on Company revenue or
24 customer rates.

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

1
2 WHEREFORE, Avista Utilities respectfully requests that the
3 Commission reauthorize the Company to defer the costs described
4 in this application.

5
6 Dated this 14th day of May 2010.

7
8 Respectfully submitted,
9 Avista Utilities

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12 

13
14
15 By: _____
16 Kelly O. Norwood, Vice President
17 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, 2011.

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 186.

Additional copies of the Notice or Application may be obtained by calling (509) 495-4067 or writing:

Avista Utilities
Attention: Ms. Patty Olsness
P.O. Box 3727
Spokane, WA 99220

Written comments regarding this Application may be submitted no later than 25 days from May 14, 2010 by mailing to:

Oregon Public Utility Commission
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 14th day of May 2010.

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 Brooks
Cable Huston Benedict
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W Citizens' Utilities Board
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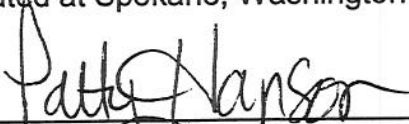
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Deborah Garcia
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deborah.garcia@state.or.us

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

Dated at Spokane, Washington this 14th day of May 2010.



Patty Hanson
Rates Coordinator