

Avista Corp.
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Telephone 509-489-0500
Toll Free 800-727-9170



August 31, 2006

Advice No. 06-07-G

Oregon Public Utility Commission
550 Capitol Street, NE
Salem, OR 97310-1380

Attention: Ms. Vikie Bailey-Googins

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 reauthorizing it to utilize deferral accounting for gas cost differences and also for the reduction in margin for interruptible and transportation customers as set forth in the Commission's Order No. 03-570 in Avista's 2003 general rate case in UG-153.

Avista seeks, with this application, to receive additional reauthorization of these deferrals for one month or until November 1, 2006.

Please direct any questions regarding this order request to Craig Bertholf at (509) 495-4124 or Brian Hirschhorn at (509) 495-4723.

Sincerely,

A handwritten signature in cursive script that reads "Kelly O. Norwood".

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 to incorporate the tracking rates into the appropriate schedule upon the parties listed below by mailing a copy thereof, postage prepaid.

Mr. Edward Finklea
Cable Huston Benedict
Haagensen & Lloyd, LLP
1001 SW 5th, Suite 2000
Portland, OR 97204-1136

Citizens' Utilities Board
610 SW Broadway, Suite 308
Portland, OR 97205-3404

Ms. Paula Pyron
Executive Director
Northwest Industrial Gas Users
4113 Wolfberry Court
Lake Oswego, OR 97035

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

Dated at Spokane, Washington this 31st day of August 2006.



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 AN ORDER) FOR REAUTHORIZATION
REAUTHORIZING DEFERRAL OF CERTAIN) OF CERTAIN DEFERRAL
COSTS) COSTS

Avista Utilities pursuant to ORS 757.259 and OAR 860-27-300(4) applies to the Oregon Public Utility Commission ("Commission") for an order reauthorizing it to utilize deferral accounting for gas cost differences.

In addition, Avista Utilities applies to the Oregon Public Utility Commission ("Commission") for an order reauthorizing it to utilize deferral accounting for the reduction in margin for interruptible and transportation customers as set forth in the Commission's Order No. 03-570 in Avista's 2003 general rate case in UG-153.

Item 1 - PGA Balancing Account

Avista requests reauthorization to continue deferring gas cost differences as set forth in PGA Schedule 462C. Such differences have been accumulated in Account No. 191000, Account No. 191900 and Account No. 191901 for distribution to or collection from customers at a later date consistent with the dictates of the PGA methodology.

Due to the volatility of the price of gas purchased for customer use the associated costs are difficult to establish with any degree of certainty. This volatility makes the use of deferral accounts extremely important.

The Company proposes to continue deferring these cost differences. Entries reflecting all system supply differences have been recorded since this deferral was authorized.

It is appropriate that deferral accounting be reauthorized for the same reasons that originally established the PGA mechanism. Deferral minimizes both the frequency of rate changes and the fluctuation of rate levels pursuant to subsection (2) (C) of ORS 757.259.

1 Absent the approval of deferred accounting, standard
2 accounting practices would be utilized for the recording of
3 expense and customers would not receive any of the benefits of
4 changes in the cost of gas. Therefore, this deferral account
5 should be reauthorized in order to permit the benefits of open
6 access purchases to flow to Avista Utilities' Oregon customers.
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8 Avista seeks, with this application, to receive
9 reauthorization of these deferrals for one month or until
10 November 1, 2006.
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13 Item 2 Interruptible and Transportation Service Margin
14 Reduction Account
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17 Avista requests reauthorization to continue deferring the
18 reduction in margin for customers on Schedules 440 and 456 that
19 was set forth in the Commission's Order No. 03-570 and Appendix
20 B of the Order (Stipulation of the parties), in Avista's 2003
21 general rate case in UG-153. That order approved a decrease of
22 5% in the rates for transportation service customers on
23 Schedule 146 to become effective March 1, 2004 and two
24 subsequent Schedule 456 decreases of 10% each to become
25 effective October 1, 2004 and October 1, 2005. The Commission
26 also approved a decrease in the rate for Interruptible Sales
27 Service Schedule 440 equal to the reduction in the second-block
28 rate under Schedule 456, as set forth in the Stipulation of the
29 Parties. The Order further provided for deferral of these
30 amounts until the next general rate case filing and recovery of
31 the present deferrals from sales customers at the next PGA rate
32 reduction filing. The reduction in margin to customers on
33 Schedules 440 and 456 has been accumulated in Account No.
34 191890 for collection from customers at a later date consistent
35 with the dictates of Commission Order No. 03-570.
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37 Reauthorization of the Interruptible and Transportation
38 Service Margin Reduction Account will delay recovery of these
39 amounts from sales customers until gas costs have stabilized
40 and result in a PGA rate reduction.
41

42 It is appropriate that deferral accounting be reauthorized
43 to minimize both the frequency of rate changes and the
44 fluctuation of rate levels pursuant to subsection (2) (C) of
45 ORS 757.259.
46

47 Absent the approval of deferred accounting, the Company
48 would request recovery of the deferred amounts with the annual
49 PGA filing.
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1 Avista seeks, with this application, to receive
2 reauthorization of this deferral for one month or until
3 November 1, 2006.

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5 Item 3 - Notification
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8 The attached Notice of Application was sent to all parties
9 and interested persons that participated in Avista Utilities
10 most recent Oregon general rate case.

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12 WHEREFORE, Avista Utilities respectfully requests that its
13 PGA deferral account and its Interruptible and Transportation
14 Service Margin Reduction Account described above be
15 appropriately reauthorized.

16
17 DATED this 30th day of August 2006,
18

19 Respectfully submitted,
20 Avista Utilities

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22

23
24 By: _____
25 Kelly O. Norwood, Vice President
26 State and Federal Regulation