

**Avista Corp.**  
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August 31, 2007

**Advice No. 07-06-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 the next twelve months or until November 1, 2008.

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

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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 Public Utility Commission of Oregon ("Commission") for an order reauthorizing it to utilize deferral accounting for gas cost differences.

In addition, Avista Utilities applies 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 currently in Schedule 461, Purchased Gas Cost Adjustment Provision. Such differences have been accumulated in the following accounts:

- Account No. 191899 Commodity Deferrals for 10/04 - 9/05,
- Account No. 191900 Demand Deferrals for 10/04 - 9/05,
- Account No. 191901 Commodity Deferrals for 10/05 - 9/06,
- Account No. 191902 Demand Deferrals for 10/05 - 9/06,
- Account No. 191903 Commodity Deferrals for 10/06 - 10/07,
- Account No. 191904 Demand Deferrals for 10/06 - 10/07.

These deferral differences have been accumulated for distribution to or collection from customers at a later date consistent with the dictates of the PGA methodology.

Going forward the following accounts will be used to accumulate gas cost differences for 11/07 and beyond.

- Account No. 191905 Commodity Deferrals and
- Account No. 191906 Demand Deferrals.

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

1 deferral accounts extremely important.  
2

3 The Company proposes to continue deferring these cost  
4 differences. Entries reflecting all system supply differences  
5 have been recorded since these deferrals were authorized.  
6

7 It is appropriate that deferred accounting be reauthorized  
8 for the same reasons that originally established the PGA  
9 mechanism. Deferred accounting minimizes both the frequency of  
10 rate changes and the fluctuation of rate levels pursuant to  
11 subsection (2)(C) of ORS 757.259.  
12

13 Absent the approval of deferred accounting, standard  
14 accounting practices would be utilized for the recording of  
15 expense and customers would not receive any of the benefits of  
16 changes in the cost of gas. Therefore, these deferral accounts  
17 should be reauthorized in order to permit the benefits of open  
18 access purchases to flow to Avista Utilities' Oregon customers.  
19

20 Avista seeks, with this application, to receive additional  
21 reauthorization of this deferral for the next 12 months or  
22 until November 1, 2008.  
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24 Item 2 Interruptible and Transportation Service Margin  
25 Reduction Account  
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27 Additionally, Avista requests reauthorization to continue  
28 deferring the reduction in margin for customers on Schedules  
29 440 and 456 that was set forth in the Commission's Order No.  
30 03-570 and Appendix B of the Order (Stipulation of the  
31 parties), in Avista's 2003 general rate case in UG-153. That  
32 order approved a decrease of 5% in the rates for transportation  
33 service customers on Schedule 456 to become effective March 1,  
34 2004 and two subsequent Schedule 456 decreases of 10% each to  
35 become effective October 1, 2004 and October 1, 2005. The  
36 Commission also approved a decrease in the rate for  
37 Interruptible Sales Service Schedule 440 equal to the reduction  
38 in the second-block rate under Schedule 456, as set forth in  
39 the Stipulation of the Parties. The Order further provided for  
40 deferral of these amounts until the next general rate case  
41 filing and recovery of the present deferrals from sales  
42 customers at the next PGA rate reduction filing.  
43

44 The reduction in margin to customers on Schedules 440 and  
45 456 has been accumulated in Account No. 191890 for collection  
46 from customers at a later date consistent with the dictates of  
47 Commission Order No. 03-570. Recovery from customers of the  
48 previous deferrals in this account has been requested in Advice  
49 No. 07-07-G filed concurrent with this application.  
50

1 It is appropriate that deferred accounting be reauthorized  
2 to minimize both the frequency of rate changes and the  
3 fluctuation of rate levels pursuant to subsection (2) (C) of  
4 ORS 757.259.

5  
6 Absent the approval of deferred accounting, the Company  
7 would request immediate recovery of the deferred amounts.  
8

9 Avista seeks, with this application, to receive additional  
10 reauthorization of this deferral for the next 12 months or  
11 until November 1, 2008.  
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13 Item 3 - Notification

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15 The attached Notice of Application was sent to all parties  
16 and interested persons that participated in Avista Utilities  
17 most recent Oregon general rate case.  
18

19 WHEREFORE, Avista Utilities respectfully requests that its  
20 PGA deferral account and its Interruptible and Transportation  
21 Service Margin Reduction Account described above be  
22 appropriately reauthorized.  
23

24 DATED this 31st day of August 2007.  
25

26 Respectfully submitted,  
27 Avista Utilities  
28

29  
30   
31 By: \_\_\_\_\_  
32 Kelly O. Norwood, Vice President  
33 State and Federal Regulation

## CERTIFICATE OF SERVICE

**I HEREBY CERTIFY** that I have this day served Avista Utilities', a division of Avista Corporation, application for reauthorization to utilize deferral accounting for gas cost differences and also for the reduction in margin for interruptible and transportation customers as set forth in Commission Order No. 03-570 upon the parties listed below by mailing a copy thereof, postage prepaid and by electronic mail or CD.

Mr. Edward Finklea  
Cable Huston Benedict  
Haagensen & Lloyd, LLP  
1001 SW 5th, Suite 2000  
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Ms. Paula Pyron  
Executive Director  
Northwest Industrial Gas Users  
4113 Wolfberry Court  
Lake Oswego, OR 97035  
[ppyron@nwigu.org](mailto:ppyron@nwigu.org)

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

Dated at Spokane, Washington this 4th day of September 2007.

  
\_\_\_\_\_  
Patty Olsness  
Rates Coordinator