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AVISTA Corp.

December 16, 2015

Public Utility Commission of Oregon
Attn: Filing Center
PO Box 2148
Salem, OR 97308-2148

Via Electronic Mail

RE: Docket No. _____ – Application for Authorization to Defer Certain Expenses or Revenues

Attached for electronic filing with the Commission is Avista Corporation's, dba Avista Utilities, Application for Authorization to Defer Certain Expenses or Revenues.

This Application is being filed pursuant to the Partial Settlement Stipulation in Docket No. UG-288, Avista's 2015 general rate case. Specifically, at page 6 of the Partial Settlement Stipulation, the "Parties further agree that the Company may file a deferral application to track decoupling-related revenue variances to begin the first day of the month, in which rates become effective."

Please direct any questions regarding this filing to Patrick Ehrbar at (509) 495-8620.

Sincerely,

David J. Meyer
Vice President and Chief Counsel for Regulatory
and Governmental Affairs

Enclosure

cc: See attached service list

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

IN THE MATTER OF THE APPLICATION OF	)
AVISTA UTILITIES FOR AN AUTHORIZATION TO	)
DEFER CERTAIN EXPENSES OR REVENUES	)
PURSUANT TO ORS 757.259	)

APPLICATION FOR AUTHORIZATION
TO DEFER CERTAIN EXPENSES OR REVENUES

Avista Utilities ("Avista" or "Company") pursuant to ORS 757.259, and OAR 860-027-0300(4), hereby applies to the Public Utility Commission of Oregon ("Commission") for an order authorizing the deferral of margin related to the Natural Gas Decoupling Mechanism, described below, and which is included as an essential term in the Partial Settlement Stipulation pending before the Commission for approval in Docket No. UG-288.

This Application is being filed pursuant to the Partial Settlement Stipulation in Docket No. UG-288, Avista's 2015 general rate case. Specifically, at page 6 of the Partial Settlement Stipulation, the "Parties further agree that the Company may file a deferral application to track decoupling-related revenue variances to begin the first day of the month, in which rates become effective."

Because the two matters are interrelated (in fact, the Partial Settlement Stipulation is dependent upon Commission approval of this Deferral Application), the Parties request that both filings be acted upon by the Commission at the same time.

A. Avista Utilities

Avista provides natural gas service in the State of Oregon and is a public utility subject to the Public Utility Commission of Oregon's jurisdiction under ORS 757.005(1)(a)(A). Avista provides natural gas distribution service in southwestern and northeastern Oregon. The Company also provides electric and natural gas service within a 26,000 square mile area of eastern Washington and northern Idaho. As of December 31, 2014, Avista supplied retail electric service to approximately 366,000 customers and retail natural gas service to approximately 326,000 customers, including approximately 98,200 customers in Oregon who will be affected by the proposed rate revision. Avista's principal place of business is located in Spokane, Washington.

B. Statutory Authority

This application is filed pursuant to ORS 757.259, which empowers the Commission to authorize the deferral of expenses or revenues of a public utility for later inclusion in rates.

C. Communications

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

Kelly Norwood
Vice President, State and Federal Regulation
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P.O. Box 3727
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D. Description of Expenses or Revenues for which Deferred Accounting is Requested – OAR 860-027-0300(3)(a)

Section 6 of the Partial Settlement Stipulation in Docket No. UG-288 sets forth the agreed-upon Natural Gas Decoupling Mechanism. Under the terms of the Partial Settlement Stipulation, the “Natural Gas Decoupling Mechanism” will become effective when new base rates are implemented in Docket No. UG-288 (if approved). Decoupling is a mechanism designed to break the link between a utility's revenues and a consumer's energy usage. The Company's actual revenue, based on therm sales, will vary, up or down, from the level set by the Commission. This could be due to changes in conservation, weather or the economy.

The Parties have agreed upon a Revenue-Per-Customer decoupling mechanism for its natural gas operations. The mechanism will compare actual decoupled revenues, by rate group, to allowed decoupled revenues determined on a per-customer basis, with any differences deferred for later rebate or surcharge. Below are the key components of the mechanism:

a. Decoupling Mechanism Term. The mechanism will become effective when new base rates are implemented, currently estimated to be March 4, 2016.

b. Rate Groups. Customers will be combined into two rate groups:

1. Residential – Schedule 410
2. Commercial – Schedules 420, 424, 440, and 444

c. Existing Customers and New Customers. The Parties have agreed that new customers, defined as new meters hooked up to Avista’s distribution system, will not be included in the mechanism unless those new meters were included in the test year forecast of revenues.[1]

[1] The number of customers decoupled each month cannot exceed the monthly forecasted number of customers, by rate group, included in the agreed-upon 2016 forecasted customers. To the extent the number of actual customers in a given month exceed the forecasted level of customers, the Company will use the new customer revenue hookup report to determine the average decoupled revenue per new customer. The average decoupled revenue per customer

In addition, Avista will track new customer usage, even the usage for the new customers in the rate year, for informational purposes, for a three year period, to determine whether new customers use more or less than existing customers.

d. Quarterly Reporting. Avista will file, within 45 days of the end of each quarter, a report detailing the decoupling activity by month. The reporting will also include information related to the deferrals by rate group, use-per-customer for existing and new customers, and other summary financial information. Avista will provide such other information as may be reasonably requested, from time to time, in the future quarterly reports.

e. Annual Filings. On or before August 1, of each year, the Company will file a proposed rate adjustment (surcharge or rebate) based on the amount of deferred revenue recorded for the prior January through December time period.[2] The rate adjustment will be calculated separately for each Rate Group, with the applicable surcharge or rebate recovered from each group on a uniform-cents-per-therm basis. The proposed tariff Schedule 475 included with that filing will include a rate adjustment that recovers/rebates the appropriate deferred revenue amount over a twelve-month period, effective on November 1st, to match with the annual Purchased Gas Cost Adjustment rate adjustment time period. The deferred revenue amount approved for recovery or rebate will be transferred to a balancing account and the revenue surcharged or rebated during the period will reduce the deferred revenue in the balancing account. After determining the amount of deferred revenue that can be recovered through a surcharge, or refunded through a rebate, by Rate Group, the proposed rates under Schedule 475 will be determined by dividing the deferred revenue to be recovered by Rate Group by the

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would then be multiplied by the number of actual customers that exceed the monthly forecasted level of customers. That amount would then be deducted from the monthly actual decoupled revenue prior to calculating the decoupling deferral entry.

[2] For 2016, with the expectation that new rates would go into effect in March 2016, only 10 months (March 4, 2016 through December 31, 2016) would be tracked.

estimated therm sales for each Rate Group during the twelve-month recovery period. Any deferred revenue remaining in the balancing account at the end of the amortization period will be added to the new revenue deferrals to determine the amount of the proposed surcharge/rebate for the following year.

f. Interest on Deferrals – Interest will accrue on deferrals at the Company's authorized rate of return established in Docket No. UG-288, similar to other Company deferrals.

g. Interest on Amortization of Deferrals – Once a deferral balance is approved for amortization, interest will accrue at the Modified Blended Treasury Rate, similar to other Company amortizations.

E. Reason for Application for Authorization of Deferred Accounting – OAR 860-027-0300(3)(c)

The authorization for deferred accounting treatment as described above can be authorized pursuant to ORS 757.259(2)(e). Under the Natural Gas Decoupling Mechanism, decoupled revenue above or below the base level established in Docket No. UG-288 will be tracked over a 12-month period[3], and later rebated or surcharged to customers. This meets the requirement under ORS 757.259(2)(e), specifically "identifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers."

F. Accounting – OAR 860-027-0300(3)(c)

Avista will set up two deferral accounts to explicitly account for weather[4] and conservation (non-weather). It will record the deferrals in account 186 – Miscellaneous Deferred Debits. The

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[3] Except in the first year, given that the rate effective date from Docket No. UG-288 will be after January 1, 2016.

[4] The Company will use the same weather normalization (IRP weather parameters) as was used in the Company's load forecast.

amount approved for recovery or rebate will then be transferred into a Regulatory Asset or Regulatory Liability account for amortization. On the income statement, the Company will record both the deferred revenue and the amortization of the deferred revenue through Account 495 (Other Gas Revenue), in separate sub-accounts.

G. Estimated Amounts Subject to Deferral – OAR 860-027-0300(3)(d)

The amount subject to deferral for the Natural Gas Decoupling Mechanism will be dependent upon the difference between the actual, after-the-fact, therm sales, compared with the therm sales used in the rate case to establish base rates. This difference in therm sales, which we are not able to estimate in advance, can be caused by conservation, weather, and changes in the economy.

The amount of the rate increase resulting from the decoupling adjustment will be subject to an annual incremental limit of 3%, i.e., the annual increase in the surcharge cannot exceed 3% of billed revenues for each rate group, each year, with unrecovered balances carried forward to future years for recovery. The incremental surcharge (percentage) increase is determined by subtracting the annual revenue amount recovered by the present surcharge rate from deferred revenue to be recovered through the proposed surcharge rate, and dividing that net amount by the total "normalized" revenue by Rate Group for the most recent January through December period. The normalized revenue is determined by multiplying the weather-corrected usage for the period by the present billing rates in effect. If the incremental surcharge exceeds a 3% rate increase, only a 3% increase is implemented and any additional deferred revenue will remain in the deferred revenue account, and could be recovered the following year, subject to the 3% limitation. The 3% limitation is not applicable if the Company is in a rebate position.

H. The effective date of the Deferral

The effective date of the deferral is for the 10-month period beginning on the date new base rates go into effect in the Company's General Rate Case Docket No. UG-288 (estimated to be March 4, 2016). Future reauthorization requests will be for 12-month periods (January through December).

I. Interest rate will apply to the accounts

Interest will be accrued based on the Company's authorized rate of return. Once the deferral is approved for recovery and associated amortization, interest will accrue at the Modified Blended Treasury Rate similar to the Company's other amortization accounts.

J. Notice of filing

A notice of this Application has been served on all parties who participated in the Company's most recent general rate case Docket No. UG-288 pursuant to OAR 860-027-0300(6), as shown on the Certificate of Service.

WHEREFORE, Avista Utilities respectfully requests that the Commission authorize the Company to defer the revenue related to the Natural Gas Decoupling Mechanism described in this Application.

DATED this 16th day of December 2015.

Respectfully submitted,

Avista Utilities

By: ______________________

David J. Meyer, Vice President and Chief
Counsel for Regulatory and Governmental Affairs

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served Avista Corporation's, dba Avista Utilities, Application for Authorization to Defer Certain Expenses or Revenues upon the parties listed below by mailing a copy thereof, postage prepaid and/or by electronic mail.

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

Dated at Spokane, Washington this 16th day of December 2015.

Patrick Ehrbar
Manager, Rates & Tariffs