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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1165

In the Matter of)	
)	ORDER
AVISTA CORPORATION)	
)	
Application for Reauthorization of Certain)	
Deferral Costs.)	

DISPOSITION: DEFERRED ACCOUNTING APPLICATION APPROVED

On August 23, 2004, Avista Corporation (Avista) requested reauthorization for deferral of lost revenues related to the company's Interruptible and Transportation Service Margin Reduction Account pursuant to ORS 757.259 for the 12-month period beginning October 1, 2004. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A and incorporated by reference.

At its Public Meeting on September 21, 2004, the Public Utility Commission of Oregon adopted Staff's Recommendation and approved Avista's request.

ORDER

IT IS ORDERED THAT Avista Corporation's request for reauthorization for deferral of lost revenues related to the company's Interruptible and Transportation Service Margin Reduction Account for the 12 months beginning October 1, 2004, is granted. This approval is for accounting purposes only, and does not constitute approval for ratemaking purposes.

Made, entered and effective _____.

BY THE COMMISSION:

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 21, 2004**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** October 1, 2004

DATE: September 30, 2004

TO: Lee Sparling through Ed Busch and Judy Johnson

FROM: Carla Owings

SUBJECT: AVISTA CORPORATION: (Docket No. UM 1165) Requests reauthorization for deferral of Interruptible and Transportation Service Margin Reduction Account.

STAFF RECOMMENDATION:

I recommend the Commission approve Avista Corporation's (Avista or company) request for reauthorization to defer lost revenues relating to the company's Interruptible and Transportation Service Margin Reduction Account pursuant to ORS 757.259 for a 12-month period beginning October 1, 2004.

DISCUSSION:

On August 23, 2004, Avista requested reauthorization for deferral of lost revenues related to the company's Interruptible and Transportation Service Margin Reduction Account. This account is used to defer the margin reductions associated with the rate decreases ordered in Avista's most recent general rate case (Order No. 03-570).

That order approved a five percent rate decrease for transportation service customers on Schedule 456, to become effective March 1, 2004. The order further provided for two subsequent rate decreases of ten percent each for customers on Schedule 456, to become effective October 1, 2004, and October 1, 2005, as well as concurrent reductions for Interruptible Service Schedule 440 equivalent to the reduction in the second-block rate on Schedule 456.

Reauthorization of the Interruptible and Transportation Service Margin Reduction Account will delay recovery of these amounts from sales customers until gas costs have stabilized and result in a PGA rate reduction.

Reason for Deferral

Adoption of this deferred account is authorized by 757.259(2)(e) in order to better match the costs borne and benefits received by the ratepayer and is compliant with the stipulated agreement reached in Order 03-570. Avista has met the requirements of OAR 860-027-0300 in its filing.

Proposed Accounting

The proposed continued deferrals would be recorded in Account 191.89.

Estimated New Deferrals in Next Authorization Period

The estimated amount to be recorded in Account 191.89, over the 12-month period subsequent to this application, is approximately \$1 million.

PROPOSED COMMISSION MOTION:

Avista's request for reauthorization to defer costs relating to the company's Interruptible and Transportation Service Margin Reduction Account pursuant to ORS 757.259 for a 12-month period beginning October 1, 2004, be approved.

AVISTA UM 1165