

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1165(1)

In the Matter of)	
)	ORDER
AVISTA CORPORATION)	
)	
Requests reauthorization to defer certain costs)	
associated with demand-side management)	
programs.)	

DISPOSITION: DEFERRED ACCOUNTING APPLICATION APPROVED

On May 16, 2005, Avista Corporation (Avista) submitted an application requesting the Public Utility Commission of Oregon (Commission) reauthorize the deferral of conservation or energy efficiency costs associated with demand-side management programs (DSM) pursuant to ORS 757.259 for the 12-month period beginning July 1, 2005. The application was amended on June 6, 2005. 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 June 29, 2005, the Commission adopted Staff's Recommendation and approved Avista's request.

ORDER

IT IS ORDERED that Avista Corporation's deferred accounting reauthorization request for revenue requirements and lost margin revenues associated with the company's Commission-approved energy efficiency program for the 12 months beginning July 1, 2005 is granted. This approval is for accounting purposes only, and does not constitute approval for ratemaking purposes.

Made, entered and effective JUN 29 2005

BY THE COMMISSION:



Becky L. Beier

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: June 29, 2005**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ July 1, 2005

DATE: June 7, 2005

TO: Public Utility Commission

FROM: Carla Owings

THROUGH: Lee Sparling, Ed Busch and Judy Johnson

SUBJECT: AVISTA CORPORATION: (Docket No. UM 1165) Requests reauthorization to defer certain costs associated with demand-side management programs.

STAFF RECOMMENDATION:

Staff recommends the Commission approve reauthorization of Avista Corporation's deferrals of conservation or energy efficiency costs for a twelve-month period beginning July 1, 2005.

DISCUSSION:

On May 13, 2005, Avista Corporation (Avista or Company) submitted an application requesting the Commission reauthorize the deferral of certain costs associated with demand-side management programs (DSM). That application was amended on June 6, 2005.

Order No. 93-1881 authorized Avista Corporation to defer revenue requirements and estimated revenue margin losses associated with its demand-side management (DSM) investment, and to establish an annual rate adjustment mechanism to reflect the deferred costs in rates on a timely basis. This authorization was for the twelve-months ending December 31, 1994. Subsequently, the Commission reauthorized DSM-related deferrals, each year, through June 30. Current authorization for this deferral extends through June 30, 2005, pursuant to Order No. 04-360.

Deferral of DSM program investment costs and associated net lost margins is consistent with the Commission's policy to remove the significant disincentives to acquiring DSM relative to supply-side resources. ORS 757.262 allows the Commission to "...adopt policies designed to encourage the

acquisition of cost-effective conservation resources.” Without deferral and recovery of these direct and indirect costs of DSM, the company would again have a disincentive to acquire cost-effective conservation.

The Company proposes to account for these costs in a sub-account of FERC Account No. 186 and lost margin revenue in a sub-account of FERC Account No.182 and to calculate interest at its authorized cost of capital, or 8.88 percent, on the average net balance.

The Company estimates it will defer approximately \$700,000 in conservation costs and \$65,000 of lost margin revenue during the twelve-month period ending June 30, 2006.

PROPOSED COMMISSION MOTION:

Avista Corporation’s deferred accounting reauthorization for revenue requirements and lost margin revenues associated with the company's Commission-approved energy efficiency programs be approved for the twelve-month period beginning July 1, 2005.

Avista DSM05