

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1497

In the Matter of

AVISTA CORP., dba AVISTA
UTILITIES,

Application for reauthorization of deferred
accounting for the PGA deferral
mechanism.

ORDER

DISPOSITION: APPLICATION APPROVED

On August 31, 2010, Avista Corporation (Avista) filed an application for an accounting order for reauthorization of deferred accounting for the Purchased Gas Adjustment (PGA) deferral mechanism under ORS 759.259 and OAR 860-027-0300(4). Previous approval for this deferral for the 12-month period beginning November 1, 2009, was authorized by Commission Order No. 09-447. 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 October 27, 2010, the Commission adopted Staff's recommendation; however, approval is for accounting purposes only. Unexpected weather and volatility in gas costs make an accurate estimation of the deferred amount unlikely.

ORDER

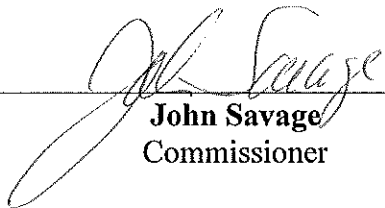
IT IS ORDERED that:

1. Avista Corporation's application for reauthorization of certain deferred accounting for the Purchased Gas Adjustment mechanism is approved.
2. Approval is for accounting purposes only for the 12-month period beginning November 1, 2010.

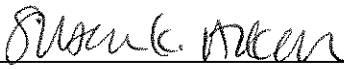
Made, entered, and effective NOV 03 2010.



Ray Baum
Chairman



John Savage
Commissioner



Susan K. Ackerman
Commissioner



A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. CA1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 27, 2010

REGULAR _____ CONSENT X EFFECTIVE DATE November 1, 2010

DATE: September 23, 2010

TO: Public Utility Commission

FROM: Deborah Garcia *DG*

THROUGH: *li* Lee Sparling, *MG* Maury Galbraith, and *JD* Judy Johnson

SUBJECT: AVISTA UTILITIES: (Docket No. UM 1497) Reauthorizes deferred accounting for the PGA deferral mechanism.

STAFF RECOMMENDATION:

I recommend Avista Utilities' application for reauthorization of deferred accounting be approved.

DISCUSSION:

Avista Utilities (Avista or Company) makes this filing pursuant to ORS 759.259 and OAR 860-027-0300(4) for reauthorization of deferred accounting for the Purchased Gas Adjustment (PGA) deferral mechanism. Previous approval for this deferral for the 12-month period beginning November 1, 2009 was authorized by Commission Order No. 09-447.

Reason for Deferral

The PGA mechanism was originally established by the Commission in Order No. 89-1046 to minimize the frequency of gas cost-related rate changes and the fluctuation of rate levels pursuant to ORS 757.259(2)(e). Reauthorization of deferred accounting for the 2010-2011 PGA period is still warranted for those reasons.

Description of Expense

The purpose of this deferral is to account for the monthly difference between gas costs expected to be collected from customers and gas costs actually collected, as set forth in Schedule No. 461 – Purchased Gas Cost Adjustment Provision – Oregon. The monthly differences arise because the rates associated with gas costs are calculated using

Avista UM 1497
September 23, 2010
Page 2

forecasted terms. A request to amortize the accumulated deferral is made annually, effective November 1.

Proposed Accounting

Avista proposes to continue deferring to sub-accounts of FERC Account 191 for distribution to or collection from customers at a later date consistent with the dictates of the PGA methodology. Gas cost differences will be segregated between demand-related and commodity-related cost differences. Absent deferred accounting, the charges incurred for gas costs pursuant to PGA activity and other incurred gas costs would be recorded using standard accounting procedures and customers would not incur the benefits or costs associated with changes in the cost of gas.

Estimated Deferrals in Authorization Period

The goal of the PGA mechanism is to match gas costs incurred by the Company with gas costs included in customer rates. Any differences are the result of unexpected weather or volatility in gas costs, thereby making an accurate estimation of the deferred amount unlikely.

Staff Analysis

Avista's application for reauthorization of deferred accounting meets the requirements related to the establishment of the PGA mechanism, as well as the requirements of ORS 757.259 and 860-027-0300, and should be approved.

PROPOSED COMMISSION MOTION:

Avista's application for reauthorization to defer gas costs associated with the PGA mechanism be approved for accounting purposes only for the 12-month period beginning November 1, 2010.

Avista UM 1497 Deferral PGA gas costs