

ORDER NO. 11 254

ENTERED JUL 07 2011

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1165(7)

In the Matter of

AVISTA CORPORATION, dba AVISTA
UTILITIES

Application for Reauthorization of Certain
Deferral Accounts.

ORDER

DISPOSITION: DEFERRED ACCOUNTING APPLICATION APPROVED

On May 13, 2011, Avista Corporation (Avista) filed an application with the Public Utility Commission of Oregon (Commission) requesting it reauthorize the deferral of certain costs associated with demand-side management programs. 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 July 5, 2011, the Commission adopted Staff's recommendation and approved Avista's request.

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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 programs for the 12 months beginning July 1, 2011, is approved. This approval is for accounting purposes only, and does not constitute approval for ratemaking purposes.

Made, entered and effective JUL 07 2011.



BY THE COMMISSION:

Becky L. Beier
Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. CA3

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 5, 2011**

REGULAR _____ CONSENT X EFFECTIVE DATE July 1, 2011

DATE: June 20, 2011

TO: Public Utility Commission

FROM: Deborah Garcia *DA*

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

SUBJECT: AVISTA UTILITIES: (Docket No. UM 1165(7)) Requests reauthorization to defer costs associated with demand side management programs.

STAFF RECOMMENDATION:

I recommend that the Commission approve Avista Utilities' (Avista or Company) request for reauthorization to defer costs related to demand side management (DSM) for a twelve-month period beginning July 1, 2011.

DISCUSSION:

Avista initially submitted its filing on May 13, 2011. During a discussion with Staff, Avista confirmed that the filing contained errors and agreed to withdraw it and make a replacement filing. That filing was made on June 20, 2011.

Avista makes this filing under ORS 757.259 and OAR 860-027-0300(4).

Reason for Deferral

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, Avista would have a disincentive to acquire cost-effective conservation.

By Order No. 93-1881 the Commission authorized Avista to begin deferral of the revenue requirements and estimated revenue margin losses associated with its DSM investment, and to establish an annual rate adjustment mechanism to reflect the

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deferred costs in rates on a timely basis. Subsequently, the DSM-related deferral accounts have been reauthorized each year. Current authorization for the deferrals extends through June 30, 2011, pursuant to Order No. 10-343.

Authority to approve this deferred account is provided by ORS 757.259(2)(e) in order to minimize the frequency of rate changes or fluctuation of rate levels.

Description of Expense

Avista's DSM program costs include the installation and acquisition of DSM measures, approved advertising expenses, and any applicable taxes. Further, because margin revenue is reduced as customers use less natural gas due to improved energy efficiency, this lost margin revenue is calculated and included in the deferral. Finally, interest is calculated on the account balances.

Proposed Accounting

The proposed deferrals would continue to be recorded in subaccounts of FERC Account 186 along with the amortization of previously approved DSM costs currently being collected from customers. Absent reauthorization of deferred accounting, standard accounting practices would be utilized for recording these costs. The costs would be expensed until such time as they could be incorporated into rates.

Estimated Deferrals in Authorization Period

As of March 31, 2011, the outstanding balances for the various DSM programs over the previous nine months were \$877,128. Avista expects the deferral for conservation costs to be about \$1,500,000 and \$100,000 for lost margin revenues for the period July 1, 2011, through June 30, 2012.

Staff Analysis

Avista has met the requirements of ORS 757.259 and OAR 860-027-0300 in its filing. As the inherent disincentive associated with the Company's acquisition of demand-side resources is still applicable, Staff recommends the Commission approve Avista's application as filed on June 20, 2011. Approval is for accounting purposes only. Staff will conduct a prudence review of all costs prior to a Commission ratemaking decision.

PROPOSED COMMISSION MOTION:

Avista's application for deferral of DSM costs be approved, effective July 1, 2011.

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