

Avista Corp.
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IDAHO PUBLIC
UTILITIES COMMISSION

June 12, 2008

AVU-G-08-02

State of Idaho
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702-5983

Attention: Ms. Jean D. Jewell, Commission Secretary

RE: Application of Avista Corporation for an Accounting Order Authorizing Accounting Entries Related to the Termination of the Gas Storage Release Agreement Between Avista and Terasen Gas Inc.

Dear Ms. Jewell:

Enclosed is an original and seven copies of Avista's Application for an Accounting Order related to the termination of gas storage release agreement with Terasen Gas Inc.

Please direct any questions regarding this filing to Brian Hirschorn at (509) 495-4723.

Sincerely,

A handwritten signature in cursive script that reads "Kelly Norwood".

Kelly Norwood
Vice President, State & Federal Regulation

Enc.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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IN THE MATTER OF THE APPLICATION OF)
AVISTA CORP., dba AVISTA UTILITIES FOR AN)
ACCOUNTING ORDER AUTHORIZING ACCOUNTING)
ENTRIES RELATED TO TERMINATION OF THE)
AGREEMENT BETWEEN AVISTA UTILITIES AND)
TERASEN GAS INC.)

IDAHO PUBLIC UTILITIES COMMISSION

AVU-G-08-02

I. INTRODUCTION

Application is hereby made to the Idaho Public Utilities Commission for an Accounting Order authorizing Avista Corporation, doing business as Avista Utilities (hereinafter Avista or Company), to record accounting entries to reflect the termination of a storage release agreement with Terasen Gas Inc. (Terasen). Avista requests that the Commission authorize the recording of such entries beginning May 1, 2008 and ending on the date that rates are made effective as a result of the Company's present general natural gas filing in AVU-G-08-1. In support of this Application, Applicant states as follows:

Avista Utilities is a public utility engaged in the distribution of natural gas in certain portions of Eastern and Central Washington, Northern Idaho and Southwestern and Northeastern Oregon, and further engaged in the generation, transmission, and distribution of electricity in Eastern Washington and Northern Idaho. Communications in reference to this Application should be addressed to:

Kelly O. Norwood
Vice President – State & Federal Regulation
Avista Corporation
1411 E. Mission Avenue
Spokane, WA 99220-3727
Phone: (509) 495-4267
Fax: (509) 495-8851
E-mail: kelly.norwood@avistacorp.com

David J. Meyer, Esq.
Vice President and Chief Counsel for Regulatory &
Governmental Affairs
Avista Corporation
1411 E. Mission Avenue
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Phone: (509) 495-4316
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E-mail: david.meyer@avistacorp.com

II. BACKGROUND

The proposed request relates to the termination of a release of a portion of the Company's Jackson Prairie underground gas storage capacity. This capacity release was to Terasen (formerly BC Gas) beginning in November 1982. The release was for 22,680,000 therms of seasonal capacity and 630,000 therms of deliverability to Terasen at an annual cost of \$2,293,456 (\$191,121 monthly). Of the \$191,121 revenue received from Terasen each month, \$54,388 (\$652,656 annually) is included as a credit to the Company's Idaho general/base rates as a result of the Company's last natural gas general rate filing, AVU-G-04-01. This amount was based on the Company's peak gas cost allocation in effect at the time for Washington/Idaho.

Effective May 1, 2008, the agreement with Terasen (Agreement) was terminated and the Company regained the use of this underground storage capacity to provide service/benefits to its customers. The Company determined that the value of this storage capacity exceeded the revenue received from Terasen under the Agreement, and starting May 1, the Company began utilizing this recalled storage capacity to provide service/benefits to its customers. The benefits associated with this recalled storage capacity are directly passed on to customers through the Company's annual PGA filing. The termination of the Agreement, and the corresponding reduction in revenue, is reflected in the Company's current general natural gas filing, AVU-G-08-1. However, until new general rates become effective, customers are receiving the credit of \$54,388 each month through rates that is no longer received by the Company. Absent the proposed accounting offset to the \$54,388 of prior revenue included in base rates, the Company would experience a corresponding reduction in operating income, until the new general rates become effective.

The Company recalled a similar storage release from Cascade Natural Gas (Cascade) effective May 1, 2007. However, the revenue received from Cascade was never included in the Company's general/base rates, but deferred each month and credited to customers through the annual PGA filing. Therefore, when that agreement was terminated, the Company simply ceased recording/deferring the revenue. In order to effectuate a similar fair operating result to the Company with respect to the termination of the Terasen agreement, it is necessary to record a deferred (gas) cost, in order to offset the revenue included in customers' rates.

III. PROPOSED ACCOUNTING TREATMENT

Therefore, the Company requests that the Commission authorize the Company to record an additional deferred gas cost to Account 191 in the amount of \$54,388 each month, beginning May 1, 2008 and ending on the date in which rates become effective as a result of the Company's current general rate filing, AVU-G-08-1. The deferred cost associated with a partial month (rates not effective on the first day of the month) would

be prorated accordingly. Those amounts would then be included with all deferred gas costs, proposed to be recovered through the rate to amortize those costs, as part of the annual PGA filing(s).

IV. REQUEST FOR RELIEF

Avista respectfully requests that the Commission issue an Accounting Order allowing the Company to record a deferred gas cost in the amount of \$54,388 each month to reflect the termination of the Agreement. Avista requests that the Order allow the Company to begin recording this deferral effective May 1, 2008, coincident with the termination date of the Agreement, until new general natural gas rates resulting from the Company's current filing, AVU-G-08-1, become effective. The Company requests that, if appropriate, the Commission adopt the procedures prescribed by Rule 201-210, Modified Procedure. The Company stands ready for immediate consideration on its Application.

Dated at Spokane, Washington, this 12th day of June 2008.

AVISTA CORPORATION

BY Kelly Norwood

Kelly O. Norwood

Vice President, State and Federal Regulation

STATE OF WASHINGTON)
) ss.
County of Spokane)

Brian Hirsch Korn, being first duly sworn, on oath deposes and says: that he is the Manager of Retail Pricing of Avista Utilities; that he has read the above and foregoing Application, knows the contents thereof, and believes the same to be true.



Brian Hirsch Korn
Manager, Retail Pricing

SUBSCRIBED and sworn to before me this 12th day of June 2008.



Notary Public in and for the
State of Washington, residing in
Spokane.

