Avista Corp.
1411 East Mission PO Box 3727
Spokane, Washington 99220-3727
Telephone 509-489-0500
Toll Free 800-727-9170

RECEIVED
2007 SEP 17 PM 9:27
IDAHO PUBLIC UTILITIES COMMISSION

AVISTA Corp.

September 14, 2007

State of Idaho
Idaho Public Utilities Commission
Statehouse
Boise, Idaho 83720

AVU-G-07-02

Attention: Ms. Jean D. Jewell

Advice Number 07-01-G

RE: Tariff IPUC No. 27, Natural Gas Service

The following tariff sheets are enclosed for filing with the Commission:

Tenth Revision Sheet 150 canceling Ninth Revision Sheet 150 and,
Seventh Revision Sheet 155 canceling Sixth Revision Sheet 155

These tariff sheets request an effective date of November 1, 2007 and result from changes in the projected cost of gas purchased and transported for customer use for the November 2007 through October 2008 period and in the amortization rate pertaining to differences between the actual cost of gas and the amount collected from customers.

If these tariff sheets are approved as filed, the Company's estimated annual natural gas revenue will *decrease* by approximately $4.0 million or about 4.6%. This decrease results primarily from a substantial reduction in the amortization rate(s) to surcharge/refund prior gas cost differences under Schedule 155. The present amortization rate for firm sales customers is approximately a 3.4 cent per therm *surcharge* while the proposed amortization rate is a 2.4 cents per them *refund* rate to pass back approximately $1.7 million. Additionally, the proposed weighted average cost of gas (WACOG) reflected in this filing is slightly less (0.5 cents per therm) than the WACOG reflected in current rates.

The average residential customer using 65 therms per month will see their monthly bill decrease by approximately $3.65 or about 4.6%, from $78.79 to $75.14 per month. The requested rate changes will have no effect on the Company's net income.

Also enclosed are an Application and workpapers that provide information supporting this proposed rate change.

If you have any questions regarding this filing, please feel free to call Craig Bertholf at (509) 495-4124 or Brian Hirschkorn at (509) 495-4723.

Sincerely:

Kelly Norwood

Kelly O. Norwood
Vice President
State and Federal Regulation

Enclosures

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served Avista Corporation dba Avista Utilities' filing with Tariff IPUC No. 27 Natural Gas Service by mailing a copy thereof, postage prepaid to the following:

Jean D Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington Street
Boise, ID 83720-5983

Edward A. Finklea
Cable Huston Benedict Haagensen &
Lloyd, LLP
1001 SW 5th, Suite 2000
Portland, OR 97204-1136

Stimson Lumber
P.O. Box 7400
Coeur d'Alene, ID 83816

Paula Pyron
Northwest Industrial Gas Users
4113 Wolfberry Court
Lake Oswego, OR 97035-1827

Curt Hibbard
St. Joseph Regional Medical Center
PO Box 816
Lewiston, ID 83501

Dated at Spokane, Washington this 14th day of September 2007.

Patty Olsness
Rates Coordinator

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF	)
AVISTA UTILITIES FOR AN ORDER APPROVING	)
A CHANGE IN NATURAL GAS RATES AND CHARGES	)

Application is hereby made to the Idaho Public Utilities Commission for an Order approving a revised schedule of rates and charges for natural gas service in the state of Idaho. The Applicant requests that the proposed rates included in this Purchased Gas Adjustment (PGA) filing be made effective on November 1, 2007. If approved as filed, the Company's annual revenue will *decrease* by approximately $4.0 million or about 4.6%. In support of this Application, Applicant states as follows:

I.

The name of the Applicant is AVISTA UTILITIES, a unit of AVISTA CORPORATION, a Washington corporation, whose principal business office is 1411 East Mission Avenue, Spokane, Washington, and is qualified to do business in the state of Idaho. Applicant maintains district offices in Moscow, Lewiston, Coeur d'Alene, and Kellogg, Idaho. Communications in reference to this Application should be addressed to:

Kelly O. Norwood
Vice President – State & Federal Regulation
Avista Utilities
P.O. Box 3727
Spokane, WA 99220-3727

II.

Attorney for the Applicant and his address is as follows:

David J. Meyer
Vice President and Chief Counsel for Regulatory & Governmental Affairs
Avista Utilities
P.O. Box 3727
Spokane, WA 99220-3727

III.

The Applicant 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.

IV.

Tenth Revision Sheet 150, which Applicant requests the Commission approve, is filed herewith as Exhibit "A". Also included in Exhibit "A" is a copy of Tenth Revision Tariff Sheet 150 with the changes underlined and a copy of Ninth Revision Tariff Sheet 150 with the proposed changes shown by lining over the current language or amounts.

Additionally, Seventh Revision Sheet 155, which Applicant requests the Commission approve, is also filed herewith as Exhibit "A". Also included in Exhibit "A" is a copy of Seventh Revision Tariff Sheet 155 with the changes underlined and a copy of Sixth Revision Tariff Sheet 155 with the proposed changes shown by lining over the current language or amounts.

V.

The existing rates and charges for natural gas service on file with the Commission and designated as Applicant's Tariff IPUC No. 27, which will be superseded by the rates and charges filed herewith, are incorporated herein as though fully attached hereto.

VI.

Notice to the Public of Applicant's proposed tariffs is to be given simultaneously with the filing of this Application by posting, at each of the Company's district offices in Idaho, a Notice in the form attached hereto as Exhibit "B" and by means of a press release distributed to various informational agencies, a copy attached hereto as Exhibit "E". In addition, a separate notice to each Idaho gas customer will be included in their current billing, a copy of which is attached hereto as Exhibit "B - 1".

VII.

The circumstances and conditions relied on for approval of Applicant's revised rates are as follows: Applicant purchases natural gas for customer usage and transports it over Williams Pipeline West (d.b.a. Northwest Pipeline Corporation), Gas Transmission Northwest (GTN), TransCanada (Alberta), TransCanada (BC) and Westcoast Pipeline systems and defers the effect of timing differences due to implementation of rate changes and differences between Applicant's actual weighted average cost of gas (WACOG) purchased and the WACOG embedded in rates. Applicant also defers various pipeline refunds or charges, miscellaneous revenue received from gas related transactions and the revenue received from Cascade Natural Gas for the release of storage capacity at the Jackson Prairie Storage Facility. However, the Company recalled the release of storage capacity at Jackson Prairie Storage Facility to Cascade Natural Gas effective April 30, 2007.

This filing reflects the Company's proposed annual Purchased Gas Cost Adjustment (PGA) to: 1) pass through changes in the estimated cost of natural gas for the forthcoming year (Schedule 150), and 2) revise the amortization rate(s) to refund or collect the balance of deferred gas costs (Schedule 155). Below is a table summarizing the proposed changes reflected in this filing.

Service	Sch. No.	Commodity Change per therm	Demand Change per therm	Total Sch. 150 Change	Sch. 155 Amort. per therm	Total Rate Change per therm	Percent Change
General	101	-$0.005	$0.007	$0.002	-$0.058	-$0.056	-4.6%
Lg. General	111	-$0.005	$0.007	$0.002	-$0.058	-$0.056	-5.2%
Ex. Lg. Gen.	121	-$0.005	$0.007	$0.002	-$0.058	-$0.056	-5.5%
Interruptible	131	-$0.005	-	-$0.005	-	-$0.005	-0.6%
Transport	146	-	-	-	-	$0.000	0.0%

Commodity Costs

As shown in the table above, the estimated commodity cost (WACOG) change is a decrease of approximately $0.005 (five-tenths of a cent) per therm. The proposed WACOG is $0.75544 compared to the present WACOG of $0.76085 included in rates. Overall, while the wholesale natural gas market remains volatile, we have seen an increased level of price stability during the 2006-2007 period, as compared to recent prior years.

Approximately 70% of estimated annual load requirements for the PGA year (Nov '07-Oct '08) will be hedged at a fixed price, comprised of: 1) approximately 41% of volumes hedged for a term of one year or less, 2) approximately 18% hedged for a three-year term, and 3) 11% of volumes in Jackson Prairie storage. This planned level of hedging is similar to the prior year. During 2006, the Company began incorporating three-year (fixed price) hedges into its portfolio to provide additional rate stability going forward. Through the end of August, approximately two-thirds of planned hedge volumes (excluding storage) for the PGA year have been executed at a weighted average price of $7.94 per decatherm ($0.794 per therm). All executed hedges are allocated between the three states the Company serves (WA, ID & OR) based on projected load requirements.

The Company used a 60-day historical average of monthly forward prices (through the end of August) by supply basin to develop an estimated cost associated with unhedged volumes (planned hedges, first-of-the-month, and spot purchases). These volumes represent approximately 45% of annual volumes at the time of this filing. The monthly prices by basin were weighted 50% AECO, 25% Sumas and 25% Rockies to approximate the Company's supply sources. The weighted (60-day) average monthly forward price was then applied to the unhedged volumes by month to estimate the monthly gas cost for these volumes. The result is a weighted average price for unhedged volumes of $7.37 per decatherm ($0.737 per therm).

The Company continuously reviews its procurement strategy and makes changes that it believes are appropriate. The Company modified its procurement plan for the Nov '07-Oct '08 PGA year to: 1) extend the overall hedging period, and 2) shorten the time period of the hedging "windows". In previous years, the Company had 45-day hedging periods, or windows, that extended from February 15 through October 15. Under this prior plan, there was typically a 15-day overlap between hedge windows, which could potentially result in a substantial volume of gas being purchased on a single day. The company shortened the term of its hedging windows to 30-day periods with no overlap, thereby eliminating the possibility of purchasing gas for two hedge window periods on a single day. The company also extended its hedging period through December 15, in order to further diversify its purchases. While the Company's procurement plan generally uses a "dollar-cost averaging" approach to procure gas for the coming year, the Company has and will continue to exercise discretion and flexibility based on changes in the wholesale market.

In May 2007, the Company's useable Jackson Prairie (JP) storage capacity (working gas as opposed to cushion gas) increased by 4.8 million therms resulting from a recalled storage release to Cascade Natural Gas. This recalled release increased storage capacity from approximately 25 million to 30 million therms for its Washington/Idaho customers, an increase from 9% to 11% of annual load requirements. As of the end of August, the Company's JP storage capacity was nearly full at an average cost of $4.87 per decatherm ($0.487 per therm). In May 2008, the Company will receive an additional 23 million therms of capacity related to a recalled storage release to Terasen (BC Hydro/Gas).

Demand Costs

The Demand Cost shown in the table primarily represents the cost of pipeline transportation to the Company's system. As shown in the table above, there is an increase of approximately seven-tenths of a cent per therm proposed change in the demand cost included in rates. Overall, total demand costs reflected in this PGA filing were essentially flat as compared with the total costs reflected in the 2006 PGA filing. However, projected firm sales volumes are substantially lower in this filing as compared to the projected volumes in the 2006 filing. Therefore, a similar level of dollars is recovered over a lower level of volumes, thus resulting in the proposed increase per therm.

Related to pipeline transportation costs, both Northwest Pipeline (NWP) and Gas Transmission Northwest (GTN) filed general rate increases in 2006, and the proposed rates went into effect January 1, 2007, subject to refund. These proposed rates were reflected in the Company's 2006 PGA filing for ten of the twelve months (Jan. – Oct.) for the '06-'07 PGA year. The NWP case was settled and new rates became effective April 1, 2007. The GTN case has not been settled as of the date of this filing. The new rates for NWP represent a decrease to the demand costs included in the present rates, however, this decrease is offset by the inclusion of an additional two months (Nov.-Dec.) of higher GTN rates, as well as increases in Canadian pipeline charges. Additionally, during 2007 the Company terminated its agreement related to the Plymouth LNG (peaking) facility, resulting in a savings of $124,000 per year in (fixed) demand costs.

Schedule 155 / Amortization Rate Change

As shown in the table above, the decrease reflected in this PGA filing results from a substantial decrease in the amortization rate(s) to surcharge/refund prior gas cost differences under Schedule 155. The present amortization rate for firm sales customers is approximately a 3.4 cent per therm *surcharge* which was approved as part of the Company's 2006 PGA filing to recover a deferred gas cost balance of approximately $2.8 million over a one-year period. The proposed decrease in the amortization rate(s) result in a *refund* rate of approximately 2.4 cents per therm to pass back estimated over-collected gas costs of approximately $1.7 million at November 1, 2007. This over-collection results from lower gas prices during the September-October 2006 period as compared to the WACOG reflected in rates at that time (prior to Nov. 1, 2006 PGA rate change).

The average residential or small commercial customer using 65 therms per month will see an estimated *decrease* of $3.65 per month, or approximately 4.6%. The present bill for 65 therms is $78.79 while the proposed bill is $75.14. The average percentage changes for the various Schedules are shown on Exhibit "C", page 2.

VIII.

Exhibit "C" attached hereto contains support for the rates proposed by Applicant contained in Exhibit "A".

IX.

Applicant is requesting that Applicant's rates be approved to become effective on November 1, 2007. Applicant requests that, if appropriate, the Commission adopt the procedures prescribed by Rule 201-210, Modified Procedure. Applicant stands ready for immediate consideration on its Application.

X.

WHEREFORE, Applicant requests the Commission issue its Order finding Applicant's proposed rate to be just, reasonable, and nondiscriminatory and to become effective for all natural gas service on and after November 1, 2006.

Dated at Spokane, Washington, this 14^{th} day of September 2007.

AVISTA UTILITIES

BY

Kelly Norwood

Kelly O. Norwood
Vice President, State and Federal Regulation

VERIFICATION

STATE OF WASHINGTON)
)
County of Spokane)

I, Brian Hirschkorn, being first duly sworn on oath, deposes and says: That he is the Manager, Retail Pricing, at phone number (509) 495-4723, for Avista Corporation and makes this verification for and on its behalf of said corporation, being thereto duly authorized;

That he has read the foregoing filing, knows the contents thereof, and believes the same to be true.

SIGNED AND SWORN to before me this 14th day of September 14, 2007, by Brian Hirschkorn.

PATTY OLSNESS
COMMISSION EXPIRES
NOTARY
PUBLIC
FEB. 22, 2010
STATE OF WASHINGTON

NOTARY PUBLIC in and for the State of Washington, residing at Spokane.

Commission Expires: 2/22/10

AVISTA UTILITIES

Exhibit "A"

Proposed Tariff Sheets

September 14, 2007

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 150
PURCHASE GAS COST ADJUSTMENT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where Company has natural gas service available.

PURPOSE:

To pass through changes in costs resulting from rate adjustments imposed by the Company's suppliers, to become effective as noted below.

RATE:

(a) The rates of firm gas Schedules 101, 111, 112, 121 and 122 are to be increased by 30.822¢ per therm in all blocks of these rate schedules.

(b) The rates of interruptible Schedules 131 and 132 are to be increased by 30.555¢ per therm.

(c) The rate for transportation under Schedule 146 is to be decreased by 00.000¢ per therm.

WEIGHTED AVERAGE GAS COST:

The above rate changes are based on the following weighted average cost of gas per therm as of the effective date shown below:

	Demand	Commodity	Total
Schedules 101	8.590¢	75.544¢	84.134¢
Schedules 111 and 112	8.590¢	75.544¢	84.134¢
Schedules 121 and 122	8.590¢	75.544¢	84.134¢
Schedules 131 and 132	.000¢	75.544¢	75.544¢

BALANCING ACCOUNT:

The Company will maintain a Purchase Gas Adjustment (PGA) Balancing Account whereby monthly entries into this Balancing Account will be made to reflect differences between the actual purchased gas costs collected from customers and the actual purchased gas costs incurred by the Company. Those differences are then collected from or refunded to customers under Schedule 155 – Gas Rate Adjustment.

Additional debits or credits for Pipeline refunds or charges, Pipeline capacity release revenues and miscellaneous revenues or expenses directly related to the Company's cost of purchasing gas to meet customer requirements will be recorded in the Balancing Account.

Issued September 14, 2007 Effective November 1, 2007

Issued by Avista Utilities
By Kelly Norwood Kelly O. Norwood - Vice-President, State & Federal Regulation

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 155
GAS RATE ADJUSTMENT - IDAHO

AVAILABLE:

To Customers in the State of Idaho where Company has natural gas service available.

PURPOSE:

To adjust gas rates for amounts generated by the sources listed below.

MONTHLY RATE:

(a) The rates of firm gas Schedules 101, 111 and 121 are to be decreased by 2.391¢ per therm in all blocks of these rate schedules.

(b) The rate of interruptible gas Schedule 131 is to be decreased by 2.391¢ per therm.

SOURCES OF MONTHLY RATE:

Changes in the monthly rates above result from amounts which have been accumulated in the Purchase Gas Adjustment (PGA) Balancing Account as described in Schedule 150 – Purchase Gas Cost Adjustment.

SPECIAL TERMS AND CONDITIONS:

The above Monthly Rate is subject to the provisions of Tax Adjustment Schedule 158.

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 150
PURCHASE GAS COST ADJUSTMENT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where Company has natural gas service available.

PURPOSE:

To pass through changes in costs resulting from rate adjustments imposed by the Company's suppliers, to become effective as noted below.

RATE:

(a) The rates of firm gas Schedules 101, 111, 112, 121 and 122 are to be increased by 30.822¢ per therm in all blocks of these rate schedules.

(b) The rates of interruptible Schedules 131 and 132 are to be increased by 30.555¢ per therm.

(c) The rate for transportation under Schedule 146 is to be decreased by 00.000¢ per therm.

WEIGHTED AVERAGE GAS COST:

The above rate changes are based on the following weighted average cost of gas per therm as of the effective date shown below:

	Demand	Commodity	Total
Schedules 101	8.590¢	75.544¢	84.134¢
Schedules 111 and 112	8.590¢	75.544¢	84.134¢
Schedules 121 and 122	8.590¢	75.544¢	84.134¢
Schedules 131 and 132	.000¢	75.544¢	75.544¢

BALANCING ACCOUNT:

The Company will maintain a Purchase Gas Adjustment (PGA) Balancing Account whereby monthly entries into this Balancing Account will be made to reflect differences between the actual purchased gas costs collected from customers and the actual purchased gas costs incurred by the Company. Those differences are then collected from or refunded to customers under Schedule 155 – Gas Rate Adjustment.

Additional debits or credits for Pipeline refunds or charges, Pipeline capacity release revenues and miscellaneous revenues or expenses directly related to the Company's cost of purchasing gas to meet customer requirements will be recorded in the Balancing Account.

Issued September 14, 2007 Effective November 1, 2007

Issued by Avista Utilities
By Kelly O. Norwood - Vice-President, State & Federal Regulation

Kelly Norwood

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 155
GAS RATE ADJUSTMENT - IDAHO

AVAILABLE:
To Customers in the State of Idaho where Company has natural gas service available.

PURPOSE:
To adjust gas rates for amounts generated by the sources listed below.

MONTHLY RATE:
(a) The rates of firm gas Schedules 101, 111 and 121 are to be decreased by 2.391¢ per therm in all blocks of these rate schedules.
(b) The rate of interruptible gas Schedule 131 is to be decreased by 2.391¢ per therm.

SOURCES OF MONTHLY RATE:
Changes in the monthly rates above result from amounts which have been accumulated in the Purchase Gas Adjustment (PGA) Balancing Account as described in Schedule 150 – Purchase Gas Cost Adjustment.

SPECIAL TERMS AND CONDITIONS:
The above Monthly Rate is subject to the provisions of Tax Adjustment Schedule 158.

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 150
PURCHASE GAS COST ADJUSTMENT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where Company has natural gas service available.

PURPOSE:

To pass through changes in costs resulting from rate adjustments imposed by the Company's suppliers, to become effective as noted below.

RATE:

(a) The rates of firm gas Schedules 101, 111, 112, 121 and 122 are to be increased by ~~30.626¢~~ per therm in all blocks of these rate schedules.

(b) The rates of interruptible Schedules 131 and 132 are to be increased by ~~31.096¢~~ per therm.

(c) The rate for transportation under Schedule 146 is to be decreased by 00.000¢ per therm.

WEIGHTED AVERAGE GAS COST:

The above rate changes are based on the following weighted average cost of gas per therm as of the effective date shown below:

	Demand	Commodity	Total
Schedules 101	~~7.853¢~~	~~76.085¢~~	~~83.938¢~~
Schedules 111 and 112	~~7.853¢~~	~~76.085¢~~	~~83.938¢~~
Schedules 121 and 122	~~7.853¢~~	~~76.085¢~~	~~83.938¢~~
Schedules 131 and 132	.000¢	~~76.085¢~~	~~76.085¢~~

BALANCING ACCOUNT:

The Company will maintain a Purchase Gas Adjustment (PGA) Balancing Account whereby monthly entries into this Balancing Account will be made to reflect differences between the actual purchased gas costs collected from customers and the actual purchased gas costs incurred by the Company. Those differences are then collected from or refunded to customers under Schedule 155 – Gas Rate Adjustment.

Additional debits or credits for Pipeline refunds or charges, Pipeline capacity release revenues and miscellaneous revenues or expenses directly related to the Company's cost of purchasing gas to meet customer requirements will be recorded in the Balancing Account.

Issued September 28, 2006 Effective November 1, 2006

Issued by Avista Utilities
By Kelly Norwood Kelly O. Norwood - Vice-President, State & Federal Regulation

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 155
GAS RATE ADJUSTMENT - IDAHO

AVAILABLE:

To Customers in the State of Idaho where Company has natural gas service available.

PURPOSE:

To adjust gas rates for amounts generated by the sources listed below.

MONTHLY RATE:

(a) The rates of firm gas Schedules 101, 111 and 121 are to be ~~increased by 3.420¢~~ per therm in all blocks of these rate schedules.

(b) The rate of interruptible gas Schedule 131 is to be ~~increased~~ by ~~3.420¢~~ per therm.

SOURCES OF MONTHLY RATE:

Changes in the monthly rates above result from amounts which have been accumulated in the Purchase Gas Adjustment (PGA) Balancing Account as described in Schedule 150 – Purchase Gas Cost Adjustment.

SPECIAL TERMS AND CONDITIONS:

The above Monthly Rate is subject to the provisions of Tax Adjustment Schedule 158.

Issued September 28, 2006 Effective November 1, 2006

Issued by Avista Utilities
By Kelly Norwood ,Vice President, State & Federal Regulation
Kelly Norwood