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

AVISTA Corp.

RECEIVED
2009 SEP 15 AM 9:34
IDAHO PUBLIC
UTILITIES COMMISSION

September 14, 2009

AVU-G-09-05

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

Attention: Ms. Jean D. Jewell

I.P.U.C. No. 27 – Natural Gas Service

Enclosed for filing with the Commission are the following revised tariff sheets:

Thirteenth Revision Sheet 150 canceling Twelfth Revision Sheet 150
Eleventh Revision Sheet 155 canceling Tenth Revision Sheet 155

The Company requests that the proposed tariff sheets be made effective November 1, 2009.

These tariff sheets reflect the Company's annual Purchased Gas Adjustment (PGA). If these tariff sheets are approved as filed, the Company's annual revenue will *decrease* by approximately $14.7 million or about 17.8%. The proposed change(s) have no effect on the Company's net income.

The proposed decrease results from a substantial reduction in the weighted average cost of gas (WACOG) for the forthcoming year as a result of lower wholesale natural gas prices. A portion of the WACOG reduction is offset with an increase in the present (deferred gas cost) amortization rate as described in the attached Application.

If approved, the average residential or small commercial customer using 66 therms per month will see a *decrease* of $12.74 per month, or approximately 17.0%. The present bill for 66 therms is $74.95 while the proposed bill is $62.21.

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

If you have any questions regarding this filing, please contact Brian Hirschkorn at (509) 495-4723 of Craig Bertholf at (509) 495-4124.

Sincerely,

Kelly Norwood

Kelly Norwood
Vice President, State and Federal Regulation

Enc.

AVU-G-09-05

RECEIVED
2009 SEP 15 AM 9:34
IDAHO PUBLIC
UTILITIES COMMISSION

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served Avista Corporation dba Avista Utilities' filing with Tariff IPUC No. 27 Natural Gas Service via electronic mail where available or 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

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

Chad Stokes
Cable Huston Benedict Haagensen & Lloyd, LLP
1001 SW 5th, Suite 2000
Portland, OR 97204-1136

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

Dated at Spokane, Washington this 14th day of September 2009.

Patty Olsness

Patty Olsness
Rates Coordinator

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

RECEIVED
2009 SEP 15 AM 9:34
IDAHO PUBLIC
UTILITIES COMMISSION
AVU-G-09-05

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, 2009. If approved as filed, the Company's annual revenue will *decrease* by approximately $14.7 million or about 17.8%. 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.

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

Additionally, Eleventh 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 Eleventh Revision Tariff Sheet 155 with the changes underlined and a copy of Tenth 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 notice will be sent to customers as a bill insert prior to November 1, 2009.

VIII.

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 and miscellaneous revenue received from gas related transactions including pipeline capacity releases.

IX.

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 thm	Total Sch. 150 Change	Sch. 155 Amort. per therm	Total Rate Change per therm	**Percent Change**
General	101	($0.26891)	($0.00031)	($0.26922)	$0.07614	($0.19308)	**(17.0%)**
Lg. General	111	($0.26891)	($0.00031)	($0.26922)	$0.07614	($0.19308)	**(20.1%)**
Interruptible	131	($0.26891)	$0.00000	($0.26891)	$0.03911	($0.22980)	**(27.8%)**

X.

Commodity Costs

As shown in the table above, the estimated commodity cost (WACOG) change is a *decrease* of 26.9 cents per therm. The proposed WACOG is 49.1 cents per therm compared to the present WACOG of 76.0 cents per therm included in rates. Wholesale gas prices have fallen dramatically since July 2008 and Avista has been hedging gas on a periodic basis throughout 2009 for the forthcoming PGA year. Approximately 64% of estimated annual load requirements for the PGA year (Nov '09-Oct '10) will be hedged at a fixed price, comprised of: 1) 42% of volumes hedged for a term of one year or less, 2) 10% of prior multi-year hedges, and 3) 12% from underground storage. Through August, most of the planned hedge volumes for the PGA year have been executed at a weighted average price of $5.82 per dekatherm ($0.582 per therm).

The Company used a 30-day historical average of forward prices (ending Aug. 31) by supply basin to develop an estimated cost associated with index/spot purchases. The estimated monthly volumes to be purchased by basin are multiplied by the (30-day) average price for the corresponding month and basin. These index/spot volumes represent approximately 36% of estimated annual load requirements for the coming year and the annual weighted average price for these volumes is $4.78 per dekatherm.

Available underground storage capacity at Jackson Prairie represents approximately 12% of annual load requirements (20% of load requirements during the Jan.-Mar. withdrawal period). The estimated weighted average cost for all storage volumes is $2.80 per dekatherm. The company also utilizes (optimizes) its underground storage capacity to provide additional benefits to customers beyond the winter/summer price differential and supply reliability.

The Company's gas procurement plan uses a diversified approach to procure gas for the coming year. While the plan generally incorporates a structured approach for the hedging portion of the portfolio, the company exercises flexibility and discretion in all areas of the plan based on changes in the wholesale market. The Company typically meets with the Commission Staff quarterly to discuss the state of the wholesale market and the status of the company's procurement plan. In addition, the company communicates with the Staff when it believes it makes sense to deviate from its procurement plan and/or opportunities arise in the market.

XI.

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 essentially no change in the demand cost included in rates.

XII.

Schedule 155 / Amortization Rate Change

As shown in the table above, the proposed change in the amortization rate is an increase of 7.6 cents per therm for firm sales customers, reflecting a two-year amortization of the estimated deferral balance at November 1. The Company projects that there will be a $12.3 million (refund) deferred gas cost balance at November 1. Two additional rate decreases were implemented by the Company in 2009 to accelerate amortization of the growing deferral balance since the November 2008 PGA. These additional decreases have resulted in a present amortization rate (refund) of 15.8 cents per therm for firm sales customers. However, gas prices have continued to fall throughout the year, and the deferral balance has continued to grow despite the increased amortization rate(s).

A one-year amortization rate to refund the estimated balance of $12.3 million would be a refund rate of 16.2 cents per therm. Eliminating a refund rate of this magnitude in the 2010 PGA filing would, all other things being equal, result in an increase of 17%. In other words, even if the Company had *no change* in it's WACOG from the 2009 to the 2010 PGA filings, it would have a 17% increase to eliminate a 16.2 cent refund rate. In order to mitigate the potential 2010 PGA increase, the Company proposes to refund the deferral balance over a two-year period, rather than one. Using the same scenario described above (no change in WACOG from 2009 to 2010), there would be *no* PGA rate change in 2010 and approximately an 8% increase in 2011 to eliminate the smaller refund rate. The Company believes that the substantial reduction in the WACOG in this filing presents a unique opportunity to mitigate future PGA increase(s) via a two-year refund of the deferral balance.

XIII.

The average residential or small commercial customer using 66 therms per month will see a *decrease* of $12.74 per month, or approximately 17.0%. The present bill for 66 therms is $74.95 while the proposed bill is $62.21.

XIV.

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

XV.

Applicant is requesting that Applicant's rates be approved to become effective on November 1, 2009. 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.

XVI.

WHEREFORE, Applicant requests the Commission issue its Order finding Applicant's proposed rates to be just, reasonable, and nondiscriminatory and to become effective for all natural gas service on and after November 1, 2009.

Dated at Spokane, Washington, this 14th day of September 2009.

AVISTA UTILITIES

BY

Kelly Norwood

Kelly O. Norwood
Vice President, State and Federal Regulation

STATE OF WASHINGTON)
) ss.
County of Spokane)

Brian Hirschkorn, 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 Hirschkorn
Manager, Retail Pricing

SUBSCRIBED and sworn to before me this 14th day of September 2009.

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

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