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AVISTA Corp.

August 31, 2007

Advice No. 07-07-G

Oregon Public Utility Commission
550 Capitol Street, NE
Salem, OR 97310-1380

Attention: Ms. Vikie Bailey-Googins

Avista Utilities submits an original and ten (10) copies of the following listed tariff sheets applicable to its Oregon natural gas operations along with three (3) copies of the workpapers. It is requested that these sheets become effective on November 1, 2007.

Oregon PUC Sheet No.	Title of Sheet	Canceling Oregon PUC Sheet No.
Thirteenth Revision Tariff Sheet 410	Schedule No. 410 General Residential Natural Gas Service	Supplemental Twelfth Revision Tariff Sheet 410
Thirteenth Revision Tariff Sheet 420	Schedule No. 420 General Natural Gas Service	Supplemental Twelfth Revision Tariff Sheet 420
First Revision Tariff Sheet 420A	Schedule No. 420A General Natural Gas Service	Original Tariff Sheet 420A
Thirteenth Revision Tariff Sheet 424	Schedule No. 424 Large General and Industrial Natural Gas Service	Supplemental Twelfth Revision Tariff Sheet 424
First Revision Tariff Sheet 424A	Schedule No. 424A Large General and Industrial Natural Gas Service	Original Tariff Sheet 424A

Twelfth Revision Tariff Sheet 430	Schedule No. 430 Emergency Institutional Service	Supplemental Eleventh Revision Tariff Sheet 430
First Revision Tariff Sheet 430A	Schedule No. 430A Emergency Institutional Service	Original Tariff Sheet 430A
Fourteenth Revision Tariff Sheet 440	Schedule No. 440 Interruptible Natural Gas Service For Large Commercial and Industrial	Supplemental Thirteenth Revision Tariff Sheet 440
Second Revision Tariff Sheet 440A	Schedule No. 440A Interruptible Natural Gas Service For Large Commercial and Industrial	Supplemental First Revision Tariff Sheet 440A
Second Revision Tariff Sheet 440B	Schedule No. 440B Interruptible Natural Gas Service For Large Commercial and Industrial	Supplemental First Revision Tariff Sheet 440B
Thirteenth Revision Tariff Sheet 444	Schedule No. 444 Seasonal Natural Gas Service	Supplemental Twelfth Revision Tariff Sheet 444
First Revision Tariff Sheet 444A	Schedule No. 444A Seasonal Natural Gas Service	Original Tariff Sheet 444A
Eighth Revision Tariff Sheet 455	Schedule No. 455 Firm Transportation of Customer-Owned Natural Gas for Large General and Industrial Service	Supplemental Seventh Revision Sheet 455
Tenth Revision Tariff Sheet 456	Schedule No. 456 Interruptible Transportation of Customer-Owned Natural Gas for Large General and Industrial Service	Supplemental Ninth Revision Sheet 456

Ninth Revision Tariff Sheet 459	Schedule No. 459 Firm Natural Gas Standby Sales Service	Supplemental Eighth Revision Tariff Sheet 459
Second Revision Tariff Sheet 461	Schedule No. 461 Purchased Gas Cost Adjustment Provision	Supplemental First Revision Tariff Sheet 461
Second Revision Tariff Sheet 461A	Schedule No. 461A Purchased Gas Cost Adjustment Provision	Supplemental First Revision Tariff Sheet 461A
Second Revision Tariff Sheet 461B	Schedule No. 461B Purchased Gas Cost Adjustment Provision	Supplemental First Revision Tariff Sheet 461B
Second Revision Tariff Sheet 461C	Schedule No. 461C Purchased Gas Cost Adjustment Provision	Supplemental First Revision Tariff Sheet 461C
Original Tariff Sheet 496	Schedule No. 496 Margin Reduction Surcharge	None

This filing is a Purchased Gas Cost Adjustment (PGA) to change rates within Avista Utilities' natural gas service schedules to reflect the projected cost of gas pursuant to tariff Schedule 461, Purchased Gas Cost Adjustment Provision. Schedule 461 allows the Company to adjust the rates within its service schedules for changes in: 1) the estimated purchased gas costs for the forthcoming year, and 2) the amortization rate(s) pertaining to the PGA balancing account, as well as other deferred accounts related to costs associated with DSM programs. The following table summarizes the proposed changes by rate schedule reflected in this filing:

Service	Schedule No.	Commodity Cost Change per Therm	Demand Cost Change per Therm	Amortization Cost Change per Therm	Total Rate Change per Therm	Percent Change
Residential	410	-$0.068	$0.001	$0.063	-$0.004	-0.28%
General	420	-$0.068	$0.001	$0.063	-$0.004	-0.31%
Lg. General	424	-$0.068	$0.001	$0.026	-$0.041	-3.13%
Interruptible	440	-$0.068	-	$0.004	-$0.064	-6.28%
Seasonal	444	-$0.068	$0.001	$0.026	-$0.041	-3.17%

Commodity Costs

As shown in the table above, the estimated commodity cost (WACOG) change is a decrease of approximately $0.068 per therm. The proposed WACOG is $0.814 compared to the present WACOG of $0.882 included in rates.

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 43% of volumes hedged for a term of one year or less, and 2) approximately 27% comprised of three-year hedges. During 2006, the Company began incorporating three-year (fixed price) hedges into its portfolio to provide additional rate stability going forward. Through mid-August, approximately two-thirds of planned hedge volumes for the PGA year have been executed at a weighted average price of $8.22 per decatherm ($0.822 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 by supply basin to determine the estimated cost associated with unhedged (planned hedges, first-of-the-month, and spot purchase) volumes, representing 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 determine the monthly gas cost for these volumes. The result is a weighted average price for unhedged volumes of $7.45 per decatherm ($0.745 per therm).

In compliance with the Stipulation approved by the Commission in UM 1282, the Company modified its procurement plan for the Nov '07-Oct '08 PGA year. These modifications included extending the overall hedging period and shortening 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 November 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 open windows on a single day. The Company also extended its hedging period through December 15, in order to further diversify its purchases.

Demand Costs

The demand cost shown in the table represents the cost of pipeline transportation to the Company's system, as well as fixed costs associated with gas storage. As shown in the table above, there is less than one-hundredth of a cent per therm proposed change in the demand cost included in rates. 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.

Related to gas storage, in June 2007, the Company executed a three-year storage agreement with Northwest Natural Gas (NWN) for capacity at their Mist storage facility. The term of the agreement is from June 2007 through March 2010. The agreement provides the Company with an additional 3 million therms of storage capacity and 150,000 therms per day of withdrawal rights for an annual payment of $600,000 ($2.00 per decatherm of storage capacity) to NWN. This storage agreement increases the Company's underground storage capacity for Oregon customers from approximately 1% to 4% of annual load requirements. This $600,000 cost increase associated with the Mist agreement was offset by a nearly identical reduction in cost associated with the Company's termination of its agreement associated with the Plymouth LNG (peaking) facility during 2007. The Company will have Mist storage capacity full by the end of October and estimates an average cost of injected gas at approximately $5.00 per decatherm.

Amortization of Deferral Accounts

As shown in the table, the decrease in the commodity cost is almost entirely offset by the proposed increase in the amortization rate(s) for Schedules 410 and 420. The difference in the total amortization rate increase for Schedules 410 and 420 (residential and commercial customers), as compared to Schedules 424 and 444, is caused by the implementation of an amortization rate of $0.03719 to recover the balance in the "Margin Reduction Account" (Account). This Account was established to defer the monthly revenue reduction resulting from rate decreases to Interruptible Sales Schedule 440 and Transportation Service Schedule 456. These rate decreases, and the recording of associated deferred revenue, were part of a Stipulation (pages 4-5) approved by the Commission in Order No. 03-570 in Docket UG-153. As part of the Stipulation, the Company could not recover the balance in this Account until the Company proposed a PGA rate decrease. This filing reflects the first PGA decrease the Company has filed since that time. The Stipulation further states that the deferred balance is to be recovered from Schedule 410 and 420 customers over a 12-month period, beginning simultaneous with the PGA rate change, so long as such recovery does not result in a PGA increase to those customers. In compliance with the Commission's Order, the Company has included a new proposed tariff with this filing, Schedule 496, to implement a surcharge of $0.03719 for Schedule 410 and 420 customers, to recover the deferral balance of approximately $2.9 million over a twelve-month period beginning November 1, 2007. Absent this surcharge, the PGA rate decreases for Schedules 410 and 420 would be approximately 3%.

The Company will continue to defer the revenue reduction resulting from the Schedule 440 and 456 rate decreases until new rates are implemented as a result of a general filing. The surcharge rate under proposed Schedule 496 will be adjusted annually as part of the Company's PGA filing to reflect the deferred revenue balance in the account at that time. Based on the present monthly revenue deferral of approximately $70,000, the estimated balance in the account would be less than one-third of the present balance of $2.9 million; therefore, there should be a corresponding reduction in the surcharge rate proposed in the Company's 2008 PGA filing.

With regard to other deferral accounts (commodity, demand and DSM), the Company is proposing an increase of approximately 2.5 cents per therm to all firm sales schedules. In the Company's 2006 PGA filing, the Company proposed, and the Commission approved, an overall amortization rate that reflected a two-year recovery of deferred gas costs. The 2.5 cent per therm increase is designed to recover all current deferral balances (excluding certain DSM accounts) by October 31, 2008.

The amortization rate to recover the total deferral balance exceeds 3% of gross revenues from the prior year (see Page 10 of the attached Workpapers). House Bill 2630 allows the Commission discretion in setting the amortization rates above the 3% level. Subsection (6) of Section 3 of this Bill states: "The commission may allow an overall average rate impact greater than that specified in subsection (5) of this section for natural gas commodity and pipeline transportation costs incurred by a natural gas utility if the commission finds that allowing a higher amortization rate is reasonable under the circumstances." The Company believes that the proposed amortization rate is appropriate in order to recover deferred gas costs in a reasonably timely manner.

Other Information
Approval of this filing reflects an overall annual revenue decrease of $774,000, or 0.58% to the Company. The proposed monthly bill decrease for residential customers served under Schedule 410 is $0.22, or a decrease of 0.28%, based on average monthly usage of 52 therms. The average monthly bill under present rates is $80.36 under present rates, and $80.14 under proposed rates.

Please direct any questions regarding this filing to Brian Hirschkorn at (509) 495-4723 or Theresa Melvin at (509) 495-8165.

Sincerely,

Kelly Norwood

Kelly O. Norwood, Vice President
State and Federal Regulation