

Avista Corp.

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October 12, 2007

Advice No. 07-07-G Supplemental

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 with less than statutory notice on November 1, 2007.

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

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

Supplemental Ninth Revision Tariff Sheet 459	Schedule No. 459 Firm Natural Gas Standby Sales Service	Ninth Revision Tariff Sheet 459
Supplemental Second Revision Tariff Sheet 461	Schedule No. 461 Purchased Gas Cost Adjustment Provision	Second Revision Tariff Sheet 461
Supplemental Second Revision Tariff Sheet 461A	Schedule No. 461A Purchased Gas Cost Adjustment Provision	Second Revision Tariff Sheet 461A
Supplemental Second Revision Tariff Sheet 461B	Schedule No. 461B Purchased Gas Cost Adjustment Provision	Second Revision Tariff Sheet 461B
Supplemental Second Revision Tariff Sheet 461C	Schedule No. 461C Purchased Gas Cost Adjustment Provision	Second Revision Tariff Sheet 461C
Supplemental Original Tariff Sheet 496	Schedule No. 496 Margin Reduction Surcharge	Original Tariff Sheet 496

This filing is a revised 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. This filing replaces the Company's original PGA filing, Advice No. 07-07-G. 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:

<u>Service</u>	<u>Schedule No.</u>	<u>Commodity Cost Change per Therm</u>	<u>Demand Cost Change per Therm</u>	<u>Amortization Cost Change per Therm</u>	<u>Total Rate Change per Therm</u>	<u>Percent Change</u>
Residential	410	-\$0.097	\$0.012	\$0.063	-\$0.022	-1.39%
General	420	-\$0.097	\$0.012	\$0.063	-\$0.022	-1.55%
Lg. General	424	-\$0.097	\$0.012	\$0.029	-\$0.056	-4.25%
Interruptible	440	-\$0.097	-	\$0.024	-\$0.073	-7.13%
Seasonal	444	-\$0.097	\$0.012	\$0.029	-\$0.056	-4.32%

Commodity Costs

As shown in the table above, the estimated commodity cost (WACOG) change is a decrease of approximately \$0.097 per therm. The proposed commodity WACOG is \$0.786 compared to the present WACOG of \$0.883 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 the end of September, approximately 81% of planned hedge volumes for the PGA year have been executed at a weighted average price of \$8.05 per dekatherm (\$0.805 per therm). All executed hedges during 2007 are allocated between the three states the Company serves (WA, ID & OR) based on projected load requirements.

In the Company's original filing, it used a 60-day historical average (through mid-August) of monthly forward prices by supply basin to determine an estimated cost associated with unhedged (planned hedges, first-of-the-month, and spot purchase) volumes. During subsequent discussions with the Commission Staff, the Staff strongly suggested that some weight be given to fundamental forecast(s) in developing estimated prices to apply to unhedged volumes. As a result of these discussions, the Company has used a weighting of historical forward prices and a fundamental forecast in this filing to develop these estimated prices. Prior to this filing, none of the Oregon LDCs have ever incorporated fundamental forecast prices into their PGA filings because of differing opinions regarding the reasonableness of available forecasts and the proprietary nature of some of the forecasts. This issue has been a contentious one in the current UM 1286 proceeding, which is the proper forum for resolution of this issue. In an effort to minimize the issues in this filing, the Company has incorporated a weighting of 75% applied to historical forward prices and 25% applied to the most recent fundamental forecast published by Wood-Mackenzie. The Company chose Wood-Mackenzie as it believes that it is a reasonable forecast and is one of the few that can be shared with regulators. However, inclusion of this fundamental price forecast in this filing does not reflect the Company's view with regard to the appropriate weighting, if any, that should be applied to fundamental forecasts in future PGA filings. Further, the Company examined a number of weighting scenarios for this filing using average forward prices, Wood-Mackenzie and EIA (fundamental forecast). There was less than a 1% difference in the results, regardless of the weighting applied to these three forecasts.

With regard to the weighted price to be applied to unhedged volumes, the Company has updated the 60-day historical average of monthly forward prices through the end of September. Additionally, in the Company's original filing, it used sixty historical business days of forward prices; in this filing, it used sixty historical calendar days. As described above, a weighting of 75% was applied to the monthly forward prices and 25% to the Wood-Mackenzie forecast. The monthly prices have also been adjusted by basin to reflect 50% AECO, 25% Sumas and 25% Rockies to approximate the Company's supply sources. The resulting estimated price for each month was then applied to the unhedged volumes by month to determine the monthly gas cost for these volumes. These unhedged volumes reflected in this filing represent approximately 36%

of annual volumes. The result is a weighted average price for unhedged volumes of \$6.85 per dekatherm (\$0.685 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 hedging periods, or windows, that typically overlapped, which could potentially result in a substantial volume of gas being purchased on a single day. The Company shortened the term of all 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 a 1.2 cent per therm proposed increase 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. These new rates are reflected in this filing.

There is also a tentative settlement in the GTN case with revised rates to be effective January 1, 2007 (retroactive). The proposed settlement rates are reflected in this filing. Additionally, a significant increase in the GTN rate for transportation on the Medford lateral will become effective on November 1, 2007. The transportation rate the Company pays for transportation on the Medford lateral is subject to adjustment each November 1st based on changes in Pacificorp's Oregon residential rates over the past year. Pacificorp's residential rates increased substantially July 1st because of the termination of the residential exchange benefits.

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 a monthly payment of \$50,000 (\$2.00 per dekatherm 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 annual 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 dekatherm.

Amortization of Deferral Accounts

As shown in the table, most of the decrease in the commodity cost is 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 \$0.03494 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 \$0.03494 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 4%.

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 2.9 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 2.9 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 11 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

This filing reflects an overall annual revenue decrease of \$2,231,000, or 1.7% to the Company. The proposed monthly bill decrease for residential customers served under Schedule 410 is \$1.09, or a decrease of 1.4%, based on average monthly usage of 51 therms. The average monthly bill under present rates is \$78.91 under present rates, and \$77.82 under proposed rates.

The Company will issue a media release on Monday, October 15th, and will provide the Commission with a copy prior to the release. The Company will also provide information to customers regarding this filing through a display advertisement in the daily newspapers in Medford, Roseburg, Klamath Falls and La Grande during the week of October 15th.

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

Sincerely,



Kelly O. Norwood, Vice President
State and Federal Regulation

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON
550 CAPITOL ST NE
SALEM, OR 97310-1380

IN THE MATTER OF THE APPLICATION OF)	UTILITY L.S.N. APPLICATION
Avista Corporation, DBA Avista Utilities)	
(UTILITY COMPANY))	NO. Supplemental 07-07-G _____
TO WAIVE STATUTORY NOTICE.)	

NOTE: ATTACH EXHIBIT IF SPACE IS INSUFFICIENT.

1. GENERAL DESCRIPTION OF THE PROPOSED SCHEDULE (S) ADDITION, DELETION, OR CHANGE. (SCHEDULE INCLUDES ALL RATES, TOLLS AND CHARGES FOR SERVICE AND ALL RULES AND REGULATIONS AFFECTING THE SAME)
Adjust the weighted average cost of gas (WACOG) filed in the Annual PGA to reflect current market prices and also incorporate staff changes.

2. APPLICANT DESIRES TO CHANGE THE SCHEDULE(S) NOW ON FILE KNOWN AND DESIGNATED AS: (INSERT SCHEDULE REFERENCE BY NUMBER, PAGE, AND ITEM)
 Thirteenth Revision Sheet 410, Residential Natural Gas Service
 Thirteenth Revision Sheet 420 and First Revision Sheet 420A, General Natural Gas Service
 Thirteenth Revision Sheet 424 and First Revision Sheet 424A, Large General and Industrial Natural Gas Service
 Twelfth Revision Sheet 430 and First Revision Sheet 430A, Emergency Institutional Service
 Fourteenth Revision Sheet 440, Second Revision Sheet 440A and Second Revision Sheet 440B, Interruptible Natural Gas Service for Large Commercial and Industrial
 Thirteenth Revision Sheet 444 and First Revision Sheet 444A, Seasonal Natural Gas Service
 Eighth Revision Sheet 455, Firm Transportation of Customer-Owned Natural Gas for General & Industrial Service
 Tenth Revision Sheet 456, Interruptible Transportation of Customer-Owned Natural Gas for General & Industrial Service
 Ninth Revision Sheet 459, Firm Natural Gas Standby Sales Service
 Second Revision Sheet 461, 461A, 461B and 461C, Purchased Gas Cost Adjustment Provision
 Original Sheet 496, Margin Reduction Surcharge

3. THE PROPOSED SCHEDULE(S) SHALL BE AS FOLLOWS: (INSERT SCHEDULE REFERENCE BY NUMBER, PAGE AND ITEM)
 Supplemental Thirteenth Revision Sheet 410, Residential Natural Gas Service
 Supplemental Thirteenth Revision Sheet 420 and Supplemental First Revision Sheet 420A, General Natural Gas Service
 Supplemental Thirteenth Revision Sheet 424 and Supplemental First Revision Sheet 424A, Large General and Industrial Natural Gas Service
 Supplemental Twelfth Revision Sheet 430 and Supplemental First Revision Sheet 430A, Emergency Institutional Service
 Supplemental Fourteenth Revision Sheet 440, Supplemental Second Revision Sheet 440A and, Supplemental Second Revision Sheet 440B, Interruptible Natural Gas Service for Large Commercial and Industrial
 Supplemental Thirteenth Revision Sheet 444 and Supplemental First Revision Sheet 444A, Seasonal Natural Gas Service
 Supplemental Eighth Revision Sheet 455, Firm Transportation of Customer-Owned Natural Gas for General & Industrial Service
 Supplemental Tenth Revision Sheet 456, Interruptible Transportation of Customer-Owned Natural Gas for General & Industrial Service
 Supplemental Ninth Revision Sheet 459, Firm Natural Gas Standby Sales Service
 Supplemental Second Revision Sheet 461, 461A, 461B and 461C, Purchased Gas Cost Adjustment Provision
 Supplemental Original Sheet 496, Margin Reduction Surcharge

4. REASON FOR REQUESTING A WAIVER OF STATUTORY NOTICE:
The Company is filing to adjust the previously filed WACOG in Advice No. 07-07-G to reflect more current market prices and also incorporate staff changes.

5. REQUESTED EFFECTIVE DATE OF THE NEW SCHEDULE (S) OR CHANGES (S): November 1, 2007

6. AUTHORIZED SIGNATURE 	TITLE Vice President, State and Federal Regulation	DATE 10/12/07
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AUTHORIZED SIGNATURE	DATE
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CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that I have this day served Avista Utilities', a division of Avista Corp, application to incorporate the tracking rates into the appropriate schedule upon the parties listed below by mailing a copy thereof, postage prepaid and by electronic mail or CD.

Mr. Edward Finklea
Cable Huston Benedict
Haagensen & Lloyd, LLP
1001 SW 5th, Suite 2000
Portland, OR 97204-1136
efinklea@chbh.com

Citizens' Utilities Board
610 SW Broadway, Suite 308
Portland, OR 97205-3404
Jason@OregonCUB.org
Bob@OregonCUB.org
Lowrey@OregonCUB.org

Ms. Paula Pyron
Executive Director
Northwest Industrial Gas Users
4113 Wolfberry Court
Lake Oswego, OR 97035
ppyron@nwigu.org

I declare under penalty of perjury that the foregoing is true and correct.

Dated at Spokane, Washington this 12th day of October 2007.



Patty Olsness
Rates Coordinator

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 410

GENERAL RESIDENTIAL NATURAL GAS SERVICE - OREGON

APPLICABILITY:

Applicable to residential natural gas service for all purposes.

TERRITORY:

This schedule is applicable to the entire territory in the State of Oregon served by the Company.

THERM:

The word "therm" means one hundred thousand British Thermal Units (100,000 B.T.U.)

RATES:

Per Meter
Per Month

Customer Charge:

\$5.00

Commodity Charge Per Therm:

\$1.39283

(R)

Minimum Charge:

The Customer Charge constitutes the Minimum Charge.

SPECIAL CONDITIONS:

1. The above Commodity Charge Per Therm is subject to the provisions of Glendale Surcharge Schedule 495 and Margin Reduction Surcharge Schedule 496.
2. A reconnection charge shall be made for restoration of service where service has been turned off for seasonal turnoff, or for other reasons arising through the action or for the convenience of the customer. (See Rule No. 20)
3. Service under this schedule is subject to adjustments as specified under Schedule 451 as well as any other applicable adjustments approved by the Public Utility Commission.
4. The above Commodity Charge includes a \$.00438 per therm for the Residential Low Income Rate Assistance Program, as set forth under Schedule 493.

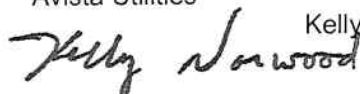
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Kelly O. Norwood, V.P. State & Federal Regulation

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 420
GENERAL NATURAL GAS SERVICE - OREGON

APPLICABILITY:

Applicable to commercial and small industrial natural gas service for all purposes.

TERRITORY:

This schedule is applicable to the entire territory in the State of Oregon served by the Company.

THERM:

The word "therm" means one hundred thousand British Thermal Units (100,000 B.T.U.)

RATES:

Per Meter
Per Month

Customer Charge:

\$6.00

Commodity Charge Per Therm:

\$1.30907

(R)

Minimum Charge:

The Customer Charge constitutes the Minimum Charge.

SPECIAL CONDITIONS:

1. The above Commodity Charge Per Therm is subject to the provisions of Glendale Surcharge Schedule 495 and Margin Reduction Surcharge Schedule 496.
2. A reconnection charge shall be made for restoration of service when service has been turned off for reasons arising through action of or for the convenience of the customer. (See Rule No. 20)
3. Service for the sole purpose of supplying a fireplace, log lighter, gas log, barbecue or any multiple or combination thereof, will be rendered only under this schedule. Where service for such purpose is requested, an advance-in-aid of construction in the amount of the Company's estimated total additional investment in the facilities required to provide such service shall be made prior to the commencement of construction. If the advance is for facilities to serve more than one customer location, an appropriate portion thereof will be assigned to each customer location. The advance will be refunded by the Company to the person or entity who made the

(N)
(N)
(N)

(continued)

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Kelly O. Norwood, V.P. State & Federal Regulation

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 420 (continued)

GENERAL NATURAL GAS SERVICE - OREGON

advance, or his or its designee, upon the expiration of 36 months of billings for consumption under this schedule (which may or may not be continuous), or upon the transfer of service at the customer location to a different schedule. Any advance or portion thereof not refunded within five years from the inception of service shall be retained by the Company.

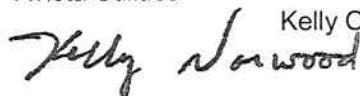
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4. Service under this schedule is subject to adjustments as specified under Schedule 451 as well as any other applicable adjustments approved by the Public Utility Commission.

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SCHEDULE 424

LARGE GENERAL AND INDUSTRIAL NATURAL GAS SERVICE - OREGON

APPLICABILITY:

Applicable to large commercial and industrial use customers where at least 75% of the natural gas requirements are for uses other than space heating and where adequate capacity exists in the Company's system. Customers served under this schedule must use a minimum of 29,000 therms annually.

TERRITORY:

This schedule is applicable to the entire territory in the State of Oregon served by the Company.

THERM:

The word "therm" means one hundred thousand British Thermal Units (100,000 B.T.U.)

RATES:

Per Meter
Per Month

Customer Charge: \$65.00

Commodity Charge Per Therm: \$1.25265

(R)

Minimum Charge:

The minimum monthly charge shall consist of the Monthly Customer Charge.

SPECIAL CONDITIONS:

1. The above Commodity Charge Per Therm is subject to the provisions of Glendale Surcharge Schedule 495.
2. This service is available only where adequate capacity exists in the Company's system.
3. As a condition precedent to service under this schedule an executed Agreement with the Company is required specifying quantity requirements and other terms and conditions as hereinafter provided.

(N)
(N)

(continued)

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dba Avista Utilities

SCHEDULE 424 (continued)

LARGE GENERAL AND INDUSTRIAL NATURAL GAS SERVICE - OREGON

- 4. The term of service shall be for a period of one year when service is first rendered and year by year thereafter, continuing until cancelled by ninety days prior written notice given by either party to the other.
- 5. The applicability clause shown above will not apply to any customer taking service on or before August 1, 1990.
- 6. Service under this schedule is subject to adjustments as specified under Schedule No. 451 as well as any other applicable adjustments approved by the Public Utility Commission.
- 7. Rates contained in this schedule will be used to determine balancing penalties and the standby sales service commodity price for Schedule No. 455.

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SCHEDULE 430
EMERGENCY INSTITUTIONAL SERVICE - OREGON

APPLICABILITY:

In all territory served by the Company, provided that adequate gas volume for such service is available; adequate capacity exists in the Company's system; and buyer has made a showing acceptable to the Company that buyer's institutional operations could not be continued or severe disadvantage to the occupants of buyer's facilities would occur, in the absence of service by the Company under this schedule. Service under this schedule will be supplied on a best efforts basis to institutional buyers currently taking firm service and then under curtailment, up to the maximum volume limits imposed by the Company on an hourly or daily basis, or both, and/or as a total over the estimated period of buyer's emergency. Such limits may be established by instructions given by the Company to any authorized representative or buyer.

TERRITORY:

This schedule is applicable to the entire territory in the State of Oregon served by the Company.

THERM:

The word "therm" means one hundred thousand British Thermal Units (100,000 B.T.U.)

RATES:

Per Meter
Per Month

Commodity Charge Per Therm:

\$1.30877

(R)

Minimum Charge: None

SPECIAL CONDITIONS:

1. The above Commodity Charge Per Therm is subject to the provisions of Glendale Surcharge Schedule 495. (N)
(N)
2. The determination of the availability of gas volumes and system capacity to permit the Company to render any requested service under this schedule shall be within the Company's sole judgment. In making such determination, the Company shall consider, among other factors, the degree of hardship the requested service might impose on other customers, the degree of change in the energy planning of other customers which might result from the requested service and the

(continued)

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Kelly Norwood

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SCHEDULE 430 (continued)

EMERGENCY INSTITUTIONAL SERVICE - OREGON

ability of such customers to accommodate their operations to such change, and the operational practicability of rendering requested service under supply and system conditions then prevailing.

3. Service under this schedule shall not be accorded a priority better than classification (2) as set forth in Section E. of Rule No. 14 without authorization of the Public Utility Commission.
4. This schedule may be extended to non-institutional buyers otherwise qualifying for service hereunder upon the authorization of the Public Utility Commission.
5. The Company shall not be liable in damages or otherwise for failure to provide service or supply gas under this schedule.
6. Buyer shall be obligated to exercise every reasonable effort to obtain and utilize an alternate supply of fuel so as to minimize the period over which this service is required.
7. The Company, when operating its propane-air peak shaving facilities, falls under the jurisdiction of the Federal Energy Agency with respect to the Company's allocation of propane for such purposes as directed in Chapter II, Title 10, CFR, Part 211, or similar orders which may be subsequently issued. In the event that customer has an alternate fuel capability, the Company shall discontinue service to customer and customer shall convert immediately to alternate fuel usage during those times the Company's peak shaving facilities are in operation, in accordance with these orders.
8. Service under this schedule is subject to adjustments as specified under Schedule No. 451 as well as any other applicable adjustments approved by the Public Utility Commission.

UNAUTHORIZED TAKES:

Buyer shall be obligated to limit its receipts of gas to the volumes permitted. Any volume taken in excess of that permitted is unauthorized. The Company shall bill and buyer shall pay for unauthorized takes at the rate of \$1.00 per therm

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SCHEDULE 440

INTERRUPTIBLE NATURAL GAS SERVICE
FOR LARGE COMMERCIAL AND INDUSTRIAL - OREGON

APPLICABILITY:

Applicable, subject to interruptions in capacity and supply, for large commercial and industrial use where capacity in excess of the existing requirements of firm sales and transportation customers exists in the Company's system. Customers served under this schedule must use a minimum of 225,000 therms annually.

TERRITORY:

This schedule is applicable to the entire territory in the State of Oregon served by the Company.

THERM:

The word "therm" means one hundred thousand British Thermal Units (100,000 B.T.U.)

RATES:

Per Meter
Per Month

Commodity Charge Per Therm: \$.94761

(R)

Annual Minimum Charge:

Each Customer shall be subject to an Annual Minimum Charge if their gas usage during the prior year does not equal or exceed 225,000 therms. Such Annual Minimum Charge shall be determined by subtracting their actual usage for a twelve-month period from 225,000 therms multiplied by 11.285 cents per therm.

SPECIAL CONDITIONS:

1. The above Commodity Charge Per Therm is subject to the provisions of Glendale Surcharge Schedule 495.
2. This service is available only where capacity in excess of firm sales and firm transportation requirements exists in the Company's system.
3. Service under this schedule is not available to any "essential agricultural user" or "high priority user" (as defined in Section 281.203(a), Title 18, Code of Federal Regulations), who has requested protection from curtailment, as contemplated by Section 401 of the NGPA (Public Law 95-261). An "essential agricultural" or "high-priority" user receiving service

(N)

(N)

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SCHEDULE 440 (continued)

INTERRUPTIBLE NATURAL GAS SERVICE
FOR LARGE COMMERCIAL AND INDUSTRIAL - OREGON

under this schedule can obtain protection from curtailment by requesting transfer to the appropriate firm rate schedule of the Company.

4. As a condition precedent to service under this schedule, an executed agreement with the Company is required specifying quantity requirements and other terms and conditions as hereinafter provided.
5. The term of service shall be for a period of one year when service is first rendered and year by year thereafter, continuing until cancelled by ninety days prior written notice given by either party to the other.
6. No customer shall be entitled to service under this rate schedule unless adequate standby equipment and alternative fuel are provided by the customer and are ready at all times for immediate operation in the event that natural gas is interrupted or curtailed in whole or in part.
7. The Company shall give the customer as much notice of an impending curtailment as is reasonably possible under the circumstances at the time. The Company will not be liable for damages occasioned by interruption or discontinuance of service provided under this schedule.
8. In the event of curtailment, customers under this schedule will be curtailed in accordance with Rule No. 14, Continuity Of Service. Interruptible customers are the first to be curtailed.
9. Insofar as operationally practicable, curtailment to each customer receiving service under this schedule shall be pro rata. Proration shall be based on equalization of the number of hours of curtailment for each customer in each heating season (July 1 through June 30).
10. In the event that it is necessary to discontinue service, the monthly minimum charge will be prorated on the basis of the ratio of the number of days on which service was available to the number of days in the billing period. For this purpose

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SCHEDULE 440 (continued)

INTERRUPTIBLE NATURAL GAS SERVICE
FOR LARGE COMMERCIAL AND INDUSTRIAL - OREGON

service will be considered available if curtailed by the Company less than eight hours in any particular day.

11. Service under this schedule is subject to adjustments as specified under Schedule No. 452 as well as any other applicable adjustments approved by the Public Utility Commission.
12. Rates contained in this schedule will be used to determine balancing penalties and the standby sales service commodity price for Schedule No. 456.
13. The applicability clause shown above will not apply to any customer taking service on or before August 1, 1990.

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SCHEDULE 444

SEASONAL NATURAL GAS SERVICE - OREGON

APPLICABILITY:

Applicable for natural gas service to customers whose entire natural gas requirements for any calendar year are supplied during the period from and after March 1, and continuing through November 30, of each year.

Service under this schedule is not available to any "essential agricultural user" or "high priority user" (as defined in section 281.203(a), Title 18, Code of Federal Regulations), who has requested protection from curtailment, as contemplated by Section 401 of the NGPA (Public Law 95-261). An "essential agricultural" or "high-priority" user receiving service under this schedule can obtain protection from curtailment by requesting transfer to the appropriate firm rate schedule of the Company.

TERRITORY:

This schedule is applicable to the entire territory in the State of Oregon served by the Company.

THERM:

The word "therm" means one hundred thousand British Thermal Units (100,000 B.T.U.)

RATES:

Per Meter
Per Month

Commodity Charge Per Therm:

\$1.25239

(R)

Minimum Charge:

\$8,060.46 per season.

(R)

SPECIAL CONDITIONS:

1. The above Commodity Charge Per Therm is subject to the provisions of Glendale Surcharge Schedule 495. (N)
2. A contract will be required for a period of one (1) year when service is first rendered and year by year thereafter. Service will be subject to termination at the end of any contract year in the event the supply of gas may become limited to other firm gas customers. (N)
3. The Company, when operating its propane-air peak shaving facilities, falls under the jurisdiction of the Federal Energy Agency with respect to the Company's allocation of propane for such purposes as directed

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SCHEDULE 444 (continued)

SEASONAL NATURAL GAS SERVICE - OREGON

in Chapter II, Title 10, CFR, Part 211, or similar orders which may be subsequently issued. In the event that customer has an alternate fuel capability, the Company shall discontinue service to customer and customer shall convert immediately to alternate fuel usage during those times the Company's peak shaving facilities are in operation, in accordance with these orders.

4. Service under this schedule is subject to adjustments as specified under Schedule 451 as well as any other applicable adjustments approved by the Public Utility Commission.

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SCHEDULE 455

FIRM TRANSPORTATION OF CUSTOMER-OWNED NATURAL GAS FOR LARGE
GENERAL AND INDUSTRIAL SERVICE - OREGON

APPLICABILITY:

Applicable to firm transportation of customer-owned natural gas for large commercial and industrial use customers where at least 75% of the natural gas requirements are for uses other than space heating and where adequate capacity exists in the Company's system. Customers served under this schedule must transport over the Company's system a minimum of 29,000 therms annually.

TERRITORY:

This schedule is applicable to the entire territory in the State of Oregon served by the Company.

THERM:

The word "therm" means one hundred thousand British Thermal Units (100,000 B.T.U.)

RATES:

Per Meter
Per Month

Customer Charge:	\$250.00
Volumetric Charge Per Therm:	
First 10,000	\$.20427
Next 20,000	\$.13569
Next 20,000	\$.11725
Next 200,000	\$.09871
All Additional	\$.06587

Minimum Charge:

The minimum monthly charge shall consist of the Monthly Customer Charge.

Gross Revenue Fee Reimbursement:

The total of all charges invoiced by the Company shall be subject to a Gross Revenue Fee reimbursement charge of 2.2825 percent to cover state utility tax and other governmental levies imposed upon the Company, as those fees and levies may be in effect from time to time.

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SCHEDULE 456

INTERRUPTIBLE TRANSPORTATION OF CUSTOMER-OWNED NATURAL GAS FOR LARGE COMMERCIAL AND INDUSTRIAL SERVICE - OREGON

APPLICABILITY:

Applicable, subject to interruptions in capacity and supply, for the transportation of customer-owned natural gas for large commercial and industrial use where capacity in excess of the existing requirements of firm sales and transportation customers exists in the Company's system. Customers served under this schedule must transport over the Company's system a minimum of 225,000 therms annually.

TERRITORY:

This schedule is applicable to the entire territory in the State of Oregon served by the Company.

THERM:

The word "therm" means one hundred thousand British Thermal Units (100,000 B.T.U.)

RATES:

	Per Meter <u>Per Month</u>
Customer Charge:	\$187.50
Volumetric Charge Per Therm:	
First 10,000	\$.12900
Next 20,000	\$.07757
Next 20,000	\$.06373
Next 200,000	\$.04984
All Additional	\$.02520

Minimum Charge:

The minimum monthly charge shall be \$1,354.30 per month, accumulative annually.

Gross Revenue Fee Reimbursement:

The total of all charges invoiced by the Company shall be subject to a Gross Revenue Fee reimbursement charge of 2.2825 percent to cover governmental fees and levies imposed upon the Company, as those fees and levies may be in effect from time to time.

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SCHEDULE 459

FIRM NATURAL GAS STANDBY SALES SERVICE - OREGON

APPLICABILITY:

Applicable to firm and interruptible transportation of customer-owned natural gas at the option of the customer.

TERRITORY:

This schedule is applicable to the entire territory in the State of Oregon served by the Company.

THERM:

The word "therm" means one hundred thousand British Thermal Units (100,000 B.T.U.)

RATES:

Per Meter
Per Month

Customer Charge:

\$65.00

Daily Demand Charge Per Therm:

\$.037984

(R)(T)

For transportation customers, the monthly demand charge shall be calculated by multiplying the customer's maximum daily therm contract demand by the demand charge per therm.

Commodity Charge:

A charge equivalent to the commodity charge rate as posted in the sales schedule that the customer would qualify for if the transportation customer requested sales service will apply to each therm used by the customer.

Minimum Charge:

The minimum monthly charge shall consist of the sum of the customer and demand charges.

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SCHEDULE 461

PURCHASED GAS COST ADJUSTMENT PROVISION – OREGON

APPLICABILITY:

This schedule applies to all schedules for natural gas sales service within the entire territory served by the Company in the State of Oregon. The definitions and provisions described herein shall establish the natural gas costs for Purchased Gas Adjustment (PGA) deferral purposes on a monthly basis.

This Schedule supercedes Schedules 462, 463, 464 and 465. This Schedule shall be effective during the period November 1, 2007 through October 31, 2008.

(T)

PURPOSE:

The purpose of this provision is to allow the Company, on established Adjustment Dates, to adjust rate schedules for changes in the cost of gas purchased in accordance with the rate adjustment provisions described herein.

A. DEFINITIONS:

1. Actual Commodity Cost: The natural gas supply costs for commodity actually paid for the month, including Financial Transactions, fuel use, and distribution system lost and unaccounted for natural gas (LUFG) plus Gas Storage Facilities withdrawals, plus or minus the cost of gas associated with pipeline imbalances, plus propane costs, plus odorization charges, less Commodity Off-System Sales Revenues received during the month, plus actual Variable Transportation Costs, plus commodity-related reservation charges, less all transportation demand charges embedded in commodity costs.
2. Commodity Off-System Sales Revenues: Revenues received from the sale of natural gas to a party other than the Company's Oregon sales customers less costs associated with the sales transactions.
3. Variable Transportation Costs: Variable transportation costs, including pipeline volumetric charges and other variable costs related to volumes of commodity delivered to sales Customers.
4. Actual Non-Commodity Cost: Actual Non-Commodity gas costs shall be equal to actual Demand Costs, less actual Capacity Release Benefits, plus or minus actual pipeline refunds or surcharges.
5. Demand Costs: Fixed monthly pipeline costs and other demand-related natural gas costs such as capacity reservation charges, plus any transportation demand charges embedded in commodity cost.

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SCHEDULE 461 (continued)

PURCHASED GAS COST ADJUSTMENT PROVISION – OREGON

6. Capacity Release Benefits: This component includes revenues associated with pipeline capacity releases. The benefits to Customers, through the monthly PGA deferrals, shall be 100% of the capacity release revenues up to the full pipeline rate, and 80% of the capacity release revenues in excess of full pipeline rates. Capacity release revenues shall be quantified on a transaction-by-transaction basis.

7. Estimated Weighted Average Cost Of Gas (WACOG): The estimated WACOG is calculated by the following formula: (Normalized Purchases at Adjusted Contract Prices) divided by (last year's (i.e. July 1 – June 30) actual sales, weather-normalized).

- a. "Normalized Purchases" means last year's (July 1 – June 30) actual sales, "Weather-Normalized", plus a percentage for "Distribution System Unaccounted for Gas."
- b. "Weather-Normalized" means normalizing assumptions set at the utility's last rate case.
- c. "Distribution System Unaccounted for Gas" means the 5-year average of actual unaccounted for gas, not to exceed 2%.
- d. "Adjusted Contract Prices" means contract prices that are adjusted by each associated Canadian pipeline's published (closest to August 1) fuel-in-kind and line loss amount provided for by tariff, and by each associated U.S. pipeline's tariffed rate.

The Estimated WACOG per therm is as follows:

With Gross Revenue Factor	\$0.78620	(R)
Without Gross Revenue Factor	\$0.76414	(N)

8. Estimated Non-Commodity Cost per Therm: The estimated Non-Commodity Cost per therm shall be equal to estimated Demand Costs, less estimated Capacity Release Benefits, plus or minus estimated pipeline refunds or surcharges divided by last year's (i.e. July 1 – June 30) actual sales, weather-normalized.

The Estimated Non-Commodity Cost per therm is as follows:

With Gross Revenue Factor	\$0.22654	(I)
Without Gross Revenue Factor	\$0.22018	(N)

9. Actual Monthly Calendar Sales Volumes: Actual billed sales therms, adjusted for estimated unbilled therms, for Schedules 410, 420, 424, 430, 440, and 444.

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SCHEDULE 461 (continued)

PURCHASED GAS COST ADJUSTMENT PROVISION - OREGON

10. Embedded Commodity Cost: The Estimated WACOG multiplied by the Actual Monthly Calendar Sales Volumes.

11. Embedded Non-Commodity Cost: The Estimated Non-Commodity Cost per Therm multiplied by the Actual Monthly Calendar Sales Volumes less Schedule 440 volumes.

12. Financial Transactions: Cost of Financial Transactions related to gas supply including, but not limited to, hedges, swaps, puts, calls, options and collars that are exercised to provide price stability/control or supply reliability for sales service customers.

13. Gas Storage Facilities: The cost of natural gas for injections shall be the actual cost of purchasing and injecting gas into the Storage Facility. Withdrawals of natural gas shall be valued at the weighted average cost of gas in the facility. Only the cost of natural gas withdrawn from Storage Facilities will be included in the Actual Commodity Cost, as defined herein.

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B. CALCULATION OF MONTHLY GAS COSTS FOR DEFERRAL PURPOSES:

The Company shall maintain sub-accounts of Account 191. Monthly entries into these sub-accounts shall be made to reflect differences between: 1) the Actual Commodity Cost and the Embedded Commodity Cost, and 2) the Actual Non-Commodity Cost and the Embedded Non-Commodity Cost. The entries shall be calculated each month as follows:

1. A debit or credit entry shall be made equal to 100% of the difference between the Actual Non-Commodity Cost and the Embedded Non-Commodity Cost.

2. A debit or credit entry shall be made equal to 90% of the difference between the Actual Commodity Cost and the Embedded Commodity Cost.

3. Differentials shall be deemed to be positive if actual costs exceed embedded costs, and to be negative if actual costs fall below embedded costs.

4. The cost differential entries shall be debited to the Account 191 sub-accounts if positive, and credited to the Account 191 sub-accounts if negative.

5. Interest - The Company shall compute interest on the deferred balance at September 30, 2004 on a monthly basis using the Company's authorized rate of return.

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SCHEDULE 461 (continued)

PURCHASED GAS COST ADJUSTMENT PROVISION – OREGON

5. Interest (cont.) - All monthly gas cost deferrals between October 1, 2004 and September 30, 2005 will be tracked separately with interest applied to that balance at 4.0% per annum. All monthly gas cost deferrals between October 1, 2005 and September 30, 2006 will be tracked separately with interest applied to that balance at the Company's authorized rate of return. Beginning November 1, 2007, interest will be applied at the Company's authorized rate of return to: 1) the unamortized balance of deferrals accrued between October 1, 2006 and October 31, 2007, and 2) monthly gas cost deferrals accrued after November 1, 2007.

(N)
(N)
(N)
(N)

C. AMORTIZATION OF ACCOUNT 191 SUB-ACCOUNT DEFERRALS

The Account 191 sub-account balances shall be amortized over the twelve (12) month period commencing with the November 1 adjustment date or such other time period acceptable to the Company and the Commission. The deferred balance at September 30, 2004 plus accrued interest shall be completely amortized prior to any amortization being applied to gas cost deferrals accumulated after September 30, 2004.

D. ADJUSTMENT DATES:

The Adjustment Date shall be November 1 of each year for changes in annual gas costs. The Company may file out-of-cycle PGA adjustments to be effective at times other than November 1 of each year, if the Company's annual gas costs change by 10 percent or more, or for such other reasons and on such terms as the Commission may approve.

E. TIME AND MANNER OF FILING:

Applications must be made 60 days in advance.

F. AMOUNT OF ADJUSTMENT:

The amount of adjustment to be made to customers' rates effective on each November 1 adjustment date shall consist of the sum of the changes in the Embedded Commodity Cost and Non-Commodity Cost and the change in amortization rates of the Account 191 sub-accounts, as well as other deferral accounts as the Commission may approve.

G. GENERAL RULES AND REGULATIONS:

This schedule is subject to the General Rules and Regulations contained in this tariff and to those prescribed by regulatory authorities.

This schedule is an automatic adjustment clause (PGA) as described in ORS 757.210(1) and is subject to the customer notification requirements as described in OAR 860-022-0017.

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SCHEDULE 496

MARGIN REDUCTION SURCHARGE – OREGON

APPLICABILITY:

This surcharge applies to natural gas sales service Schedules 410 and 420 within the entire territory served by the Company in the State of Oregon.

PURPOSE:

The purpose of this surcharge is to allow the Company to recover deferred revenue in compliance with the Commission's Order No. 03-570 in Docket No. UG-153. This deferred revenue results from a reduction in Schedule 440 and 456 rates approved by the Commission in that Docket.

MONTHLY RATE:

Charge Per Therm: \$0.03494

SPECIAL CONDITIONS:

1. The surcharge rate set forth above will be billed in addition to all other rates and charges for natural gas sales service Schedules 410 and 420 set forth in the Company's tariff.
2. The Monthly Rate set forth above will be adjusted annually, coincident with the Company's annual Purchased Gas Cost Adjustment. The Monthly Rate will be adjusted annually to recover the unamortized deferred revenue balance over a twelve-month period associated with the reduction in Schedule 440 and Schedule 456 rates described above.

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