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AVISTA Corp.

August 29, 2008

Advice No. 08-07-G

Public Utility Commission of Oregon
Attn: Filing Center
550 Capitol Street, NE
Salem, OR 97310-1380

Avista Utilities submits an original and fifteen (15) copies of the following listed tariff sheets applicable to its Oregon natural gas operations along with three (3) copies of the Company's workpapers. It is requested that these tariff sheets become effective on November 1, 2008.

Oregon PUC Sheet No.	**Title of Sheet**	**Canceling Oregon PUC Sheet No.**
Second Revision Tariff Sheet 410	Schedule No. 410 General Residential Natural Gas Service	First Revision Tariff Sheet 410
First Revision Tariff Sheet 420	Schedule No. 420 General Natural Gas Service	Original Tariff Sheet 420
First Revision Tariff Sheet 424	Schedule No. 424 Large General and Industrial Natural Gas Service	Original Tariff Sheet 424
First Revision Tariff Sheet 430	Schedule No. 430 Emergency Institutional Service	Original Tariff Sheet 430

First Revision Tariff Sheet 440	Schedule No. 440 Interruptible Natural Gas Service For Large Commercial and Industrial	Original Tariff Sheet 440
First Revision Tariff Sheet 444	Schedule No. 444 Seasonal Natural Gas Service	Original Tariff Sheet 444
First Revision Tariff Sheet 461	Schedule No. 461 Purchased Gas Cost Adjustment Provision - Oregon	Original Tariff Sheet 461
First Revision Tariff Sheet 461A	Schedule No. 461 Purchased Gas Cost Adjustment Provision - Oregon	Original Tariff Sheet 461A
First Revision Tariff Sheet 461B	Schedule No. 461 Purchased Gas Cost Adjustment Provision - Oregon	Original Tariff Sheet 461B
First Revision Tariff Sheet 461C	Schedule No. 461 Purchased Gas Cost Adjustment Provision - Oregon	Original Tariff Sheet 461C
First Revision Tariff Sheet 496	Schedule No. 496 Margin Reduction Surcharge	Original Tariff Sheet 496

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 Change per Therm	Demand Change per Therm	Amortization Change per Therm	Total Rate Change per Therm	Percent Change
Residential	410	$0.169	($0.006)	($0.137)	$0.026	1.8%
General	420	$0.169	($0.006)	($0.138)	$0.025	1.9%
Lg. General	424	$0.169	($0.006)	($0.109)	$0.054	4.4%
Interruptible	440	$0.169	-	($0.102)	$0.067	7.3%
Seasonal	444	$0.169	($0.006)	($0.109)	$0.054	4.5%

Commodity Costs

As shown in the table above, the estimated commodity cost (WACOG) change is an increase of approximately $0.169 per therm. The proposed WACOG is $0.955 compared to the present WACOG of $0.786 included in rates. This past spring, wholesale natural gas prices were at record levels (for that time of the year). While wholesale prices have fallen considerably since early July, the average wholesale price of natural gas year-to-date through August of 2008 has been considerably higher than for the same period of 2007.

Approximately 64% of estimated annual load requirements for the PGA year (Nov '08-Oct '09) will be hedged at a fixed price, comprised of: 1) approximately 30% of volumes hedged for a term of one year or less, 2) approximately 25% comprised of three-year hedges, and 3) approximately 9% from underground storage. 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 90% of planned hedge volumes for the PGA year have been executed (including three-year hedges) at a weighted average price of $9.16 per decatherm ($0.916 per therm).

The Company used a 60-day (ending July 31st) historical average of forward prices by supply basin to determine the estimated cost associated with unhedged (scheduled hedges, first-of-the-month, and spot purchase) volumes. These unhedged volumes represent approximately 42% of annual volumes at the time of this filing and the annual weighted average price for unhedged volumes is $9.08 per dekatherm ($0.908 per therm).

During the forthcoming PGA year, the Company has increased its available underground storage capacity from 4% to 9% of annual load requirements. This increase was accomplished through: 1) an additional 2 million therms of Mist capacity released by Northwest Natural, and 2) an additional 2.5 million therms of (Company-owned) Jackson Prairie expansion capacity. This incremental storage capacity is described below. The estimated weighted average cost (injections through September) for all storage volumes is $7.73.

The Company continuously reviews its procurement strategy and makes changes that it believes are appropriate. The Company meets with the Commission Staff several times throughout the year 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 or opportunities arise in the market. The Company modified its procurement plan for the Nov '08-Oct '09 PGA year to: 1) reduce the percentage of the short-term hedges (one year or less), and 2) change the methodology used to execute long-term hedges. Long-term hedges are more discretionary than in the past, utilizing several price targets established early in the year. The hedge volumes associated with these targets increase as the price decreases. While the Company's procurement plan generally uses a diversified 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.

Demand Costs

The Demand Cost shown in the table represents the projected 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-tenth of a cent per therm proposed change (decrease) in the demand cost included in rates. In general, there is a small net increase in annual projected demand costs, however, that net increase in costs is spread over a higher level firm sales volumes in this PGA filing as compared to last years' filing, resulting in a slight decrease. This filing uses forecasted sales volumes for the Nov. '08 – Oct. '09 period; last years' filing used weather-corrected actual sales for the June '06 – July '07 period. One item of note related to higher pipeline transportation costs is an adjustment to the jurisdictional allocation of NOVA/ANG (Canadian) pipeline charges that occurred during 2008. The results of this allocation study were discussed with and accepted by the Commission Staff earlier in 2008. Another item resulting in increased demand costs is a lower Canadian exchange rate caused by the lower (relative) value of U.S. currency compared to last year.

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 agreement provided the Company with an additional 3 million therms of underground storage. During 2008, the Company contracted with NWN for an additional 2 million therms of storage capacity for the remaining two years of the 2007 agreement. The Company will also have an additional 2.5 million therms of Jackson Prairie capacity available for its Oregon customers this next winter, bringing total underground storage capacity to 9% of annual load requirements (22% of load requirements during Jan.-Mar. withdrawal period).

Amortization of Deferral Accounts

As shown in the table, the increase in the commodity cost is almost entirely offset by the proposed decrease in the amortization rate(s) for Schedules 410 and 420. For all the sales service schedules, there is a decrease in the amortization rate of approximately 10 cents per therm attributable to the change in the deferred commodity (gas cost) balance. The deferred commodity balance reflected in the 2007 PGA filing was a positive $4.1 million which resulted in a surcharge rate of 4.9 cents per therm. This balance/rate mostly reflected a deferred gas cost balance from 2006, which was amortized over a two-year period in the 2006 and 2007 PGA filings. The Company estimates that the deferred commodity balance will be a *refund* balance of $4.8 million at November 2008. This refund balance results from: 1) lower gas prices this past winter compared to those reflected in the 2007 PGA filing, 2) higher actual sales volumes this past year compared to the volumes reflected in the 2007 filing, and 3) higher pipeline capacity release and optimization revenues (offset to gas costs) than the level estimated in the 2007 filing.

The difference in the total amortization rate decrease for Schedules 410 and 420 (residential and commercial customers), as compared to Schedules 424 and 444, is caused by a reduction (2.9 cents/therm) in the "Margin Reduction" amortization rate set forth on Schedule 496. Schedule 496 was approved by the Commission as part of the company's 2007 PGA filing to amortize the deferred revenue resulting from rate decreases to Interruptible Sales Schedule 440 and Transportation Service Schedule 456 in Docket UG-153. The Company continued to defer revenue resulting from the margin reduction for these Schedules until April 1, 2008, at which time new general rates became effective resulting from UG-181. The proposed rate under Schedule 496 is estimated to recover the remaining balance of $471,000 during the forthcoming PGA year.

Other Information

Approval of this filing reflects in an overall annual revenue increase of $2,730,000, or 2.0% to the Company. The proposed monthly bill decrease for residential customers served under Schedule 410 is $1.41, or an increase of 1.76%, based on average monthly usage of 53 therms. The average monthly bill under present rates is $80.07 under present rates, and $81.47 under proposed rates.

Unrelated to this filing, the company will also revise its rates November 1 to reflect "phase 2" of the UG-181 settlement agreement. Below is a table showing the combined effect of the proposed PGA and general rate change by Schedule.

Schedule	Proposed PGA	General (UG-181)	Total
Residential 410	1.8%	1.3%	3.1%
General Svc. 420	1.9%	1.3%	3.2%
Lg. General Svc. 424	4.4%	(1.4%)	3.0%
Interruptible 440	7.3%	(0.9%)	6.2%
Seasonal 424	4.5%	(1.3%)	3.2%
Transportation 456	0.0%	2.0%	2.0%
Overall	2.0%	1.1%	3.1%

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

Enc.

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.

Chad M. Stokes
Cable Huston Benedict
Haagensen & Lloyd, LLP
1001 SW 5th, Suite 2000
Portland, OR 97204-1136
cstokes@cablehuston.com

Citizens' Utilities Board
610 SW Broadway, Suite 308
Portland, OR 97205-3404
Bob@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 29th day of August, 2008.

Patty Olsness

Patty Olsness
Rates Coordinator

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:	$5.50	
Commodity Charge Per Therm:	$1.46261	(I)

Minimum Charge:

The Customer Charge constitutes the Minimum Charge.

SPECIAL CONDITIONS:

1. The above Commodity Charge Per Therm is subject to the provisions of 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.
5. When service has been discontinued at the Customer's request and then reestablished within a twelve-month period, the Customer shall be required to pay the monthly minimum charges that would have been billed had service not been discontinued.

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:	$7.00	
Commodity Charge Per Therm:	$1.39053	(I)

Minimum Charge:

The Customer Charge constitutes the Minimum Charge.

SPECIAL CONDITIONS:

1. The above Commodity Charge Per Therm is subject to the provisions of 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

(continued)

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:	$55.50	
Commodity Charge Per Therm:	$1.27665	(I)

Minimum Charge:

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

SPECIAL CONDITIONS:

1. This service is available only where adequate capacity exists in the Company's system.
2. 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.
3. 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.

(continued)

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:	$1.36326	(I)
Minimum Charge: None		

SPECIAL CONDITIONS:

1. 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)

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 50,000 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:	$.99247	(I)

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 50,000 therms. Such Annual Minimum Charge shall be determined by subtracting their actual usage for a twelve-month period from 50,000 therms multiplied by 11.285 cents per therm.

SPECIAL CONDITIONS:

1. This service is available only where capacity in excess of firm sales and firm transportation requirements exists in the Company's system.
2. 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.

(continued)

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:	\$1.27475	(I)

Minimum Charge:
\$8,060.46 per season.

SPECIAL CONDITIONS:

1. 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.

2. 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

(continued)

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 2.6371 percent to cover (I)
state utility tax and other governmental levies imposed upon the Company, as those fees and levies may be in effect from time to time.

(continued)

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 Per Month
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 2.6371 percent to cover (I) governmental fees and levies imposed upon the Company, as those fees and levies may be in effect from time to time.

(continued)

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 supersedes Schedules 462, 463, 464 and 465. This Schedule shall be effective during the period November 1, 2008 through October 31, 2009. (C)

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.

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: (Forecasted Purchases at Adjusted Contract Prices) divided by forecasted sales. (C) (C)

a. "Forecasted Purchases" means November 1 – October 31 forecasted sales, plus a percentage for "Distribution System Unaccounted for Gas." (C)
b. "Distribution System Unaccounted for Gas" means the 5-year average of actual unaccounted for gas, not to exceed 2%.
c. "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	$0.95539	(I)
Without Gross Revenue Factor	$0.92515	(I)

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 November 1 – October 31 forecasted sales. (C)

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

With Gross Revenue Factor	$0.22062	(R)
Without Gross Revenue Factor	$0.21364	(R)

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

SCHEDULE 461 (continued)

PURCHASED GAS COST ADJUSTMENT PROVISION - OREGON

10. Embedded Commodity Cost: The Estimated WACOG multiplied by the Forecasted Monthly Calendar Sales Volumes. (C)

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

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.

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 a monthly basis on the deferred balance at November 1, 2008, at 4.27% per annum. (C)

(Continued on Next Page)

SCHEDULE 461 (continued)

PURCHASED GAS COST ADJUSTMENT PROVISION – OREGON

(D)

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.

(D)

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.

AVISTA CORPORATION
dba Avista Utilities

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: $0.00580 (R)

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.

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

AVISTA UTILITIES

Purchased Gas Cost Filing

August 29, 2008

Press Release

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Avista Files for Annual Adjustment to Natural Gas Rates for Customers in Oregon

SPOKANE, Wash. – Aug. 29, 2008: Avista (**NYSE:AVA**) has filed a purchased gas cost adjustment (PGA) with the Public Utility Commission of Oregon (PUC), requesting an overall increase in natural gas rates of 2.0 percent or $2.7 million in annual revenues. The annual PGA filing passes through changes in the cost of natural gas the company acquires to serve customers, and it does not increase company profits.

If the filing is approved by the PUC, a residential customer using an average of 53 therms per month could expect to see a $1.41 increase, or 1.8 percent, for a revised total monthly bill of $81.47 effective Nov. 1, 2008. About 75 percent of an average residential customer's monthly bill is the cost of natural gas and pipeline transportation, with the remaining 25 percent made up of Avista's fixed costs to provide natural gas service over its distribution system. The increase will vary between 1.8 percent and 7.3 percent for commercial and industrial customers.

"Many factors have contributed to the volatility of natural gas prices, making this an especially challenging year for Avista as we purchase the commodity to serve our customers during the 2008-2009 heating season," said Kevin Christie, director of natural gas supply for Avista. "Although natural gas prices have decreased considerably since June, they remain above levels at this time a year ago. We are able to offset some of the cost volatility in this filing in Oregon because we've eliminated a surcharge of $0.10 per therm that was in place to recover gas costs from prior years."

Christie also noted that an unusually long, cold spring depleted storage reserves across the country, natural gas imports from Canada to the U.S. are declining, and international demand has lured liquefied natural gas (LNG) away from the U.S., putting pressure on natural gas prices. Higher crude oil prices have also put upward pressure on natural gas prices. Pricing for both of those energy commodities tends to be correlated. In addition, an active hurricane season in the Gulf of Mexico has increased uncertainty in the natural gas commodity market.

Avista serves approximately 94,000 gas customers in Oregon.

Avista follows a structured natural gas purchasing plan that allows for flexibility based on market prices and conditions. Currently, about two-thirds of estimated customer demand for the upcoming year is either pre-purchased or placed in storage. This year Avista has increased its underground storage capacity from 4 percent to 9 percent of expected annual demand requirements for its Oregon customers. Storage is a valuable asset that allows Avista to purchase lower-cost gas during the spring and summer months and store it for use during the heating season when wholesale gas prices are typically highest. However, prices for natural gas during this year's spring and summer time period were higher than in prior years.

Avista offers a number of billing options, energy efficiency programs, incentives and rebates to help customers proactively manage their natural gas consumption. Information on Avista's energy efficiency offerings and no-cost conservation information is available at www.everylittlebit.com. In addition, Avista's Comfort Level Billing option gives customers the opportunity to smooth seasonal energy bill highs and lows by averaging energy bills over 12 months.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is our operating division that provides service to 352,000 electric and 311,000 natural gas customers in three Western states. Avista's primary, non-regulated subsidiary is Advantage IQ. Our stock is traded under the ticker symbol "AVA." For more information about Avista, please visit www.avistacorp.com. Avista Corp. and the Avista Corp. logo are trademarks of Avista Corporation. All other trademarks mentioned in this document are the property of their respective owners.

This news release contains forward-looking statements regarding the company's current expectations. Forward-looking statements are all statements other than historical facts. Such statements speak only as of the date of the news release and are subject to a variety of risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all of the factors discussed in the company's Annual Report on Form 10-K for the year ended Dec. 31, 2007, and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.

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