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

AVISTA
Corp.

August 30, 2006

Advice No. 06-06-G

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

Attention: Ms. Vikie Bailey-Googins

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 workpapers. It is requested that these sheets become effective on November 1, 2006.

Oregon PUC Sheet No.	**Title of Sheet**	**Canceling Oregon PUC Sheet No.**
Twelfth Revision Tariff Sheet 410	Schedule No. 410 General Residential Natural Gas Service	Eleventh Revision Tariff Sheet 410
Twelfth Revision Tariff Sheet 420	Schedule No. 420 General Natural Gas Service	Eleventh Revision Tariff Sheet 420
Twelfth Revision Tariff Sheet 424	Schedule No. 424 Large General and Industrial Natural Gas Service	Eleventh Revision Tariff Sheet 424
Eleventh Revision Tariff Sheet 430	Schedule No. 430 Emergency Institutional Service	Tenth Revision Tariff Sheet 430
Thirteenth Revision Tariff Sheet 440	Schedule No. 440 Interruptible Natural Gas Service For Large Commercial and Industrial	Twelfth Revision Tariff Sheet 440

Twelfth Revision Tariff Sheet 444	Schedule No. 444 Seasonal Natural Gas Service	Eleventh Revision Tariff Sheet 444
Seventh Revision Tariff Sheet 455	Schedule No. 455 Firm Transportation of Customer-Owned Natural Gas For Large General and Industrial Service	Supplemental Sixth Revision Tariff Sheet 455
Ninth Revision Tariff Sheet 456	Schedule No. 456 Interruptible Transportation of Customer-Owned Natural Gas For Large Commercial and Industrial Service	Supplemental Eighth Revision Tariff Sheet 456
Eighth Revision Tariff Sheet 459	Schedule No. 459 Firm Natural Gas Standby Sales Service	Supplemental Seventh Revision Tariff Sheet 459
First Revision Tariff Sheet 461	Schedule No. 461 Purchased Gas Cost Adjustment Provision	Original Revision Tariff Sheet 461
First Revision Tariff Sheet 461A	Schedule No. 461A Purchased Gas Cost Adjustment Provision	Original Revision Tariff Sheet 461A
First Revision Tariff Sheet 461B	Schedule No. 461B Purchased Gas Cost Adjustment Provision	Original Revision Tariff Sheet 461B
First Revision Tariff Sheet 461C	Schedule No. 461C Purchased Gas Cost Adjustment Provision	Original Revision Tariff Sheet 461C

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. If approved, this filing would result in an annual revenue increase of about 8.8% or $11 million. 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 Company is proposing an increase of 8.879 cents per therm in the annual weighted average cost of gas (WACOG) based on a weighting of forward natural gas prices on August 16th and executed fixed-price hedges. The annual WACOG proposed in this filing is 88.227 cents per therm (see Exhibit___(AU-A), Page 1), as compared to the annual WACOG of 79.348 cents per therm incorporated within the Company's present sales service rates.

The Company hedges the majority of its estimated load requirements for the forthcoming year. The company uses a dollar-cost averaging approach for volumes to be hedged, with the volumes generally divided into 45-day execution "windows" between February and August. The company has completed 100% of its scheduled hedges for the forthcoming PGA year (Nov. '06 – Oct. '07) at a weighted average price of $0.880 per therm.

The Company continuously reviews its procurement strategy and makes changes that it believes are appropriate. This past year, the Company has begun incorporating an amount of longer-term hedges into its purchase portfolio to provide an additional degree of rate stability in the future. Approximately 15% of the total purchases for the next year have been hedged at a three-year fixed price. The Company's plan is to continue layering-in three-year fixed price hedges until these hedges represent between one-third and one-half of the portfolio going forward. This revised plan has been incorporated into the Company's Risk Management Policy and provided to the Commission Staff.

The proposed rates in this filing also incorporate the proposed rate increases filed by the Company's two major pipeline suppliers, Northwest Pipeline and Gas Transmission Northwest. The proposed pipeline rates, while not approved, will begin being billed to the Company on January 1, 2007. These pipeline rate increases are substantial, representing over one-third of the proposed increase.

With regard to the amortization rate reflected in the proposed tariffs, the company is proposing an amortization rate of 6.843 cents per therm to all firm sales service customers on schedules 410, 420, 424, 430 and 444 and an amortization rate of 2.412 cents per therm for interruptible sales service customers on schedule 440. At October 31, 2006 the company has an estimated deferred gas cost balance of approximately $7.6 million. The proposed amortization rate would recover this outstanding balance in approximately two years. Additionally, the company has an estimated DSM balance, not including the state-mandated program, of approximately $3.5 million and is proposing to recover this amount over three years.

The Company proposes to implement the following rate increases <decreases>, incorporating the components previously described (see Exhibit__(AU-C), Page 1):

Schedule 410, Residential	8.85%
Schedule 420, General	9.90%
Schedule 424, Large General	10.43%
Schedule 440, Interruptible	2.99%
Schedule 444, Seasonal	10.58%
Schedule 455, Firm Transportation	0%
Schedule 456, Interruptible Transportation	0%

The Company believes that the proposed two-year amortization of deferred gas costs is reasonable given the magnitude of the overall proposed increase, inclusion of 100% of the proposed pipeline rates and the accelerated recovery of DSM costs. A one-year recover of deferred gas costs would increase the proposed increase from 8.8% overall to 13.8%.

Under the proposed increase, the typical residential customer using an average of 52 therms per month would see their monthly bill increase by $6.64, from a present average monthly bill of $75.06 to $81.70.

Included in this filing is a Certificate of Service, a copy of the press release (see Exhibit___(AU-L) which was issued coincident with this filing, a copy of the customer notice which will be included as a bill insert (see Exhibit___(AU-M), and a copy of the workpapers and additional exhibits supporting this filing.

Please direct any questions regarding this filing to Craig Bertholf at (509) 495-4124 or Brian Hirschkorn at (509) 495-4723.

Sincerely,

Kelly Norwood

Kelly O. Norwood, Vice President
State and Federal Regulation

Enclosure

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.

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

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

Citizens' Utilities Board
610 SW Broadway, Suite 308
Portland, OR 97205-3404

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

Dated at Spokane, Washington this 30th day of August 2006.

Patty Olsness

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:	$1.47500	(I)

Minimum Charge:

The Customer Charge constitutes the Minimum Charge.

SPECIAL CONDITIONS:

1. 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)
2. 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.
3. The above Commodity Charge includes a $.00438 per therm for the Residential Low Income Rate Assistance Program, as set forth under Schedule 493.

Advice No. 06-06-G
Issued August 30, 2006

Effective For Service On & After
November 1, 2006

Issued by Avista Utilities
By Kelly Norwood
Kelly Norwood, V.P., State & Federal Regulation

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:	$1.39124	(I)

Minimum Charge:

The Customer Charge constitutes the Minimum Charge.

SPECIAL CONDITIONS:

1. 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)

2. 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 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),

(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:	$65.00	
Commodity Charge Per Therm:	$1.33482	(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)

AVISTA CORPORATION
dba Avista Utilities

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:	$1.39094	(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 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:	$1.04600	(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 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. 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

(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:	$1.33456	(I)

Minimum Charge:
$8,789.40 per season. (I)

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

(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 2.2545 percent to cover (R)
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 2.2545 percent to cover (R) governmental fees and levies imposed upon the Company, as those fees and levies may be in effect from time to time.

(continued)

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	
Demand Charge Per Therm:	$1.24870	(I)

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.

(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 supercedes Schedules 462, 463, 464 and 465. This Schedule shall be effective during the period November 1, 2006 through October 31, 2007.

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 natual 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: (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:

$0.88227

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:

$0.20787

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

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 transporting the gas to 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 the deferred balance at September 30, 2004 on a monthly basis using the Company's authorized rate of return.

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. The Company shall not compute interest on the deferrals accrued between October 1, 2006 and October 31, 2007, until November 1, 2007.

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.

C. 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.

D. TIME AND MANNER OF FILING:

Applications must be made 60 days in advance.

E. 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.

F. 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.

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

AVISTA UTILITIES

Purchased Gas Cost Filing

August 30, 2006

Exhibit No.___(AU-M)

Customer Notice

September 2006

Avista Proposes 8.8% Increase in natural gas prices effective Nov. 1

Important Notice for Oregon Natural Gas Customers

On Aug. 31, Avista filed with the Oregon Public Utility Commission (OPUC) a request to increase natural gas rates by an average of 8.8% to be effective Nov. 1, 2006. This request is a purchased gas cost adjustment (PGA) that is filed annually to reflect changes in the cost of gas purchased by Avista to serve customers. Any increases or decreases resulting from these PGA filings directly result from the cost of gas purchased in the marketplace. Avista Utilities makes no additional profits from these rate changes.

Most of the proposed increase reflects a continued increase in the wholesale price of natural gas during the past year. The remaining portion of the increase reflects a substantial increase in the rates charged by the two interstate pipeline companies that deliver gas to Avista's distribution system. The price for natural gas fluctuates daily based on supply and demand, similar to the price for crude oil. In fact, the price for natural gas has followed a similar upward trend as oil prices over the past few years. While the price of natural gas has fallen from the post-hurricane levels during late-2005, the average cost of gas for this next year is significantly higher than the average cost of gas during this past year.

Avista has a diversified natural gas purchasing program to help stabilize gas prices to customers. The program includes purchasing gas at fixed prices throughout the year for future delivery. This

[Continued on reverse.]

www.avistautilities.com

AVISTA

ORPGA 0906/95000

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On Aug. 31, Avista filed with the Oregon Public Utility Commission (OPUC) a request to increase natural gas rates by an average of 8.8% to be effective Nov. 1, 2006. This request is a purchased gas cost adjustment (PGA) that is filed annually to reflect changes in the cost of gas purchased by Avista to serve customers. Any increases or decreases resulting from these PGA filings directly result from the cost of gas purchased in the marketplace. Avista Utilities makes no additional profits from these rate changes.

Most of the proposed increase reflects a continued increase in the wholesale price of natural gas during the past year. The remaining portion of the increase reflects a substantial increase in the rates charged by the two interstate pipeline companies that deliver gas to Avista's distribution system. The price for natural gas fluctuates daily based on supply and demand, similar to the price for crude oil. In fact, the price for natural gas has followed a similar upward trend as oil prices over the past few years. While the price of natural gas has fallen from the post-hurricane levels during late-2005, the average cost of gas for this next year is significantly higher than the average cost of gas during this past year.

Avista has a diversified natural gas purchasing program to help stabilize gas prices to customers. The program includes purchasing gas at fixed prices throughout the year for future delivery. This

[Continued on reverse.]

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AVISTA

ORPGA 0906/95000

practice reduces the amount of gas that must be purchased during the winter when prices can be more volatile. However, Avista has no control over the market price for gas which has continued to rise, creating the need for this increase.

If the proposed increase is approved by the OPUC, a residential customer using an average of 52 therms per month can expect to see an average increase of $6.64 per month, or about 8.8%. The bill for 52 therms would increase from a present amount of $75.06 to $81.70. Commercial and industrial customers served under Schedules 420 and 424 can expect to see an average increase of 9.9% and 10.4% respectively. The higher increase percentages for larger commercial and industrial customers are due to lower base rates. Copies of the filing and proposed tariff changes are available in Avista's offices and on our Web site.

Ways to save on your energy bill
Take time to check to ensure that your home is properly sealed and insulated. Check the caulking around your windows and door frames. Also check the insulation in your attic. A well-insulated residence will keep the heat from escaping and can save in heating costs. Avista has partial rebate programs for the cost of additional insulation and other weatherization measures.

If you are not already on Comfort Level Billing, consider applying for this service. Comfort Level Billing averages your annual bill into equal monthly payments.

For information on conservation tips and rebates, energy assistance programs, and bill payment plans, visit our web-site at www.avistautilities.com or call us at (800) 227-9187.

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BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

AVISTA UTILITIES

Purchased Gas Cost Filing

August 30, 2006

Exhibit No.___(AU-L)

Press Release

AVISTA

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Avista Requests Price Adjustments in Oregon and Washington

The cost to power a home continues to rise, regardless of the type of fuel a customer uses.

SPOKANE, Wash. – Aug. 31, 2006, 1:30 p.m. PDT: Avista (**NYSE:AVA**) today filed three requests with the Washington Utilities and Transportation Commission (WUTC) and one request with the Oregon Public Utility Commission (OPUC) to adjust customer rates in the respective states. The requested changes are driven by increasing costs associated with meeting the growing electric and natural gas demands of customers, as well as by an electric rate decrease in Washington from the Residential Exchange Program with the Bonneville Power Administration (BPA).

"We remain diligent in our effort to provide customers with the lowest priced energy possible. We do this by upgrading our infrastructure to get the most production and efficiencies as possible and by focusing our natural gas purchases in a way that helps mitigate the volatility in the current energy market," said Scott Morris, Avista Corp. president and chief operating officer and president of Avista Utilities.

"We are sensitive to the impact any price increase has on our customers, especially on those who have the most difficulty paying their energy bill," Morris said. "In spite of our hard work to keep customers' costs as low as possible, the cost to power a home continues to rise, regardless of the type of fuel a customer uses. This is a result of many factors, including today's global energy environment."

Washington Electric Filings

Avista has requested to increase electric rates for its Washington customers by an average of 8.8 percent, which is intended to increase revenues by $28.9 million. The proposed increase, referred to as a Production/Transmission Update (P/T Update), includes an update to those production and transmission costs that are part of the Energy Recovery Mechanism (ERM), a mechanism that tracks changes in actual production and transmission costs over time. This filing is similar in scope to the power cost only rate case (PCORC) filings that are made periodically by Puget Sound Energy to update power costs.

Avista is not requesting an increase in rates related to cost changes associated with administrative and general expenses, operation and maintenance expenses, or the cost of equity and capital structure. In this filing, however, Avista is proposing to flow through to customers the lower cost of debt the company is experiencing since the last general rate case.

Included in the P/T Update are investments to upgrade several of Avista's hydroelectric generating units to increase their efficiency and the continued upgrades to Avista's 230-kilovolt high voltage transmission system to increase reliability and transmission capability to serve growing customer demand. Also contributing to the need for the P/T Update are higher operating costs for purchasing and generating electricity to serve Avista's customers.

If the proposed electric rate change is approved by the WUTC, an Avista residential customer in Washington using an average of 1,000 kwh per month can expect to see an average increase of $5.80 per month for a total monthly bill of $65.96.

The filing proposes that new rates become effective on or before February 1, 2007.

In a separate filing today, Avista requested WUTC approval for an average 1.7 percent, or $1.02, per month decrease to residential electric rates to be effective Nov. 1, 2006. The decrease results from an increased amount of credit received from the BPA Residential Exchange Program. The program provides residential and small farm customers in the Northwest a share of the benefits associated with federal hydroelectric projects.

Washington and Oregon Natural Gas Filings

Avista also filed annual purchased gas cost adjustments (PGAs) today with Washington and Oregon utility commissions requesting overall natural gas price increases of 8.1 percent in Washington, or $16.7 million in annual revenues, and 8.8 percent, or $11.0 million, in Oregon. Avista's filings propose an effective date of Nov. 1, 2006, in both states.

If approved by the respective commissions, a Washington customer using an average of 70 therms of natural gas per month can expect to see an average increase of $6.90 per month for a total monthly bill of $93.55. An Oregon customer using an average of 52 therms per month can expect to see an average increase of $6.64 per month for a total monthly bill of $81.70.

PGAs are filed each year to reflect changes in the cost of natural gas purchased by the company to serve its customers. As a gas distribution company, Avista does not profit from these higher gas commodity prices because they are passed through directly, without markup, to consumers.

Avista's requested PGAs reflect higher wholesale natural gas prices caused by a tight balance between growing demand for and available supply of natural gas across North America. They also reflect substantial increases in the rates charged by the two interstate pipeline companies that deliver gas to Avista's distribution system.

Avista employs strategies to mitigate the impact of wholesale market price volatility on its customers' energy bills. These strategies include, but are not limited to, natural gas storage, hedging strategies and energy conservation.

"Avista continues to offer a number of programs to assist our customers in managing their energy bills," Morris said. "I encourage our customers to visit www.avistautilities.com or call us at (800) 227-9187 for information on Avista's energy assistance programs, conservation tips and bill payment plans."

Avista is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is a company operating division that provides service to 339,000 electric and 298,000 natural gas customers in three western states. Avista's non-regulated subsidiaries include Avista Advantage and Avista Energy. Avista Corp.'s stock is traded under the ticker symbol "AVA." For more information about Avista, please visit www.avistacorp.com.

This news release contains forward-looking statements, including statements regarding expected rates, costs and demand for electricity and natural gas. Such statements are subject to a variety of risks, uncertainties and other factors, most of which are beyond the company's control, and many of which could have a significant impact on the company's operations, results of operations and financial condition, and could cause actual results to differ materially from those anticipated.

For a further discussion of these factors and other important factors, please refer to the company's Annual Report on Form 10-K for the year ended Dec. 31, 2005 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2006. The forward-looking statements contained in this news release speak only as of the date hereof. The company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the company's business or the extent to which any such factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

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