

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 159

NATURAL GAS DECOUPLING RATE ADJUSTMENT

PURPOSE:

This Schedule is a pilot program to allow the Company to recover costs associated with providing Natural Gas distribution service as authorized by the Commission in the Company's last general rate filing.

APPLICABLE:

To Natural Gas Customers served under General Service Schedule 101.

MONTHLY RATE:

\$0.00499 per therm

(R)

The monthly rate set forth above reflects the recovery of 80% of the lost margin realized by the Company from July 2008 through June 2009 for Schedule 101, as described in more detail below. This lost margin results from lower customer usage due to the implementation of natural gas conservation measures.

(R)

(C)

SPECIAL TERMS AND CONDITIONS:

This Schedule is a three-year pilot program, effective November 1, 2007 and will expire on October 31, 2010. On or before March 31, 2009, the Company may file a request to extend the term of this tariff beyond the expiration date.

Monthly Revenue Deferral Calculation

Following the end of each month, the Company will compute a deferred revenue amount to be recorded in a special account. This deferred revenue amount can be either a debit or credit and will be determined as follows:

- (1) The difference in weather-corrected therm sales for the current month (Current Therm Sales) and the weather-corrected therm sales for the corresponding month (June to June) of 2007 (Base Therm Sales) will be calculated for Schedule 101. The usage for new customers added since 2007 will first be subtracted from Current Therm Sales. Base Therm Sales is then subtracted from Current Therm Sales.
- (2) The difference in usage determined in (1) will be multiplied by \$0.24201. This rate represents the margin (rate less gas costs) under Schedule 101.
- (3) If the result calculated in (2) above is a negative amount, 90% of that amount will be recorded as a debit to the deferred revenue account, representing a potential surcharge. If the result is a positive amount, 90% of that amount will be recorded as a credit to the deferred revenue account, representing a potential rebate.

Issued August 31, 2009

Effective November 1, 2009

Issued by Avista Corporation
By

Kelly Norwood

Vice President, State & Federal Regulation

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 159B

NATURAL GAS DECOUPLING RATE ADJUSTMENT

2% Annual Rate Increase Limitation

Following the application of the Earnings and DSM tests described above, the amount of the incremental proposed rate adjustment under this Schedule cannot reflect more than a 2% rate increase (cumulative of 6% over the pilot term). This will be determined by dividing the incremental annual revenue to be collected (proposed surcharge revenue less present surcharge revenue) under this Schedule by the total "normalized" revenue for Schedule 101 for the most recent July – June period. Normalized revenue is determined by multiplying the weather-corrected usage for the period by the present rates in effect. If the incremental amount of the proposed surcharge exceeds 2%, only a 2% incremental rate increase will be proposed and any remaining deferred revenue will be carried over to the following year.

After determining the amount of deferred revenue that can be recovered through a surcharge (or refunded through a rebate), the proposed rate under this Schedule will be determined by dividing the deferred revenue to be recovered by the estimated therms sales for Schedule 101 during the twelve month recovery period. The deferred revenue amount to be recovered will be transferred to a Decoupling Balancing Account and the actual revenue received under this Schedule will be applied to the Account to reduce (amortize) the balance. Interest will be accrued on the unamortized balance in the Decoupling Balancing Account at the quarterly rate published by the FERC.

DSM Target for September 2009 Rate Adjustment

The DSM Target to be used for the DSM Test in the September 2009 rate adjustment filing is 1,425,070 therms. This amount is the annual DSM goal for 2008 reflected in the Company's most recent Integrated Resource Plan, acknowledged by the Commission in July 2008.

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By Kelly Norwood, Vice President, State & Federal Regulation

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