BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. __________

DIRECT TESTIMONY OF

BRIAN J. HIRSCHKORN

REPRESENTING AVISTA CORPORATION

I. INTRODUCTION

Q. Please state your name, business address and present position with Avista Corporation.

A. My name is Brian J. Hirschkorn and my business address is 1411 East Mission Avenue, Spokane, Washington. I am the Manager of Pricing in the Rates and Regulation Department.

Q. Would you briefly describe your duties?

A. My primary areas of responsibility include electric and gas rate design, customer usage and revenue analysis, and tariff administration.

Q. What is your educational background?

A. I graduated from Washington State University in 1978 with Bachelor degrees in Business Administration and Accounting.

Q. Have you previously testified before this Commission?

A. Yes. I have testified before this Commission in numerous prior rate proceedings as the Company's rate design and tariff witness.

Q. What is the scope of your testimony in this proceeding?

A. My testimony in this proceeding will cover the spread of the proposed annual gas revenue increase of $8,635,000, or 6.2%, among the Company's gas general service schedules and the design of the proposed rates within each of the schedules. I am also responsible for the revenue normalization adjustment, which includes the weather normalization and unbilled revenue adjustments, as well as the purchase gas cost adjustment.

Q. Are you sponsoring any exhibits to be introduced in this proceeding?

A. Yes. I am sponsoring Exhibit No. __(BJH-1), which was prepared under my direction.

Q. Would you please explain what is contained in Exhibit No. __(BJH-1)?

A. Section 1 of Exhibit No. __(BJH-1) is a copy of the Company's present tariffs containing the rates for gas service in the State of Washington, which are on file with this Commission as a part of the Company's tariff, WN U-29. Section 2 contains the proposed gas rates and schedules which are being filed with the Commission as a part of our revised tariff, WN U-29. Section 3 contains supplemental information regarding the spread of the proposed gas revenue increase to the Company's service schedules and the proposed rates within the schedules, which I will refer to later in my testimony.

Revenue Normalization and Purchase Gas Cost Adjustments

Q. Would you please describe the "revenue normalization adjustment" which you have referred to?

A. The revenue normalization adjustment represents the difference between the company's actual revenues during the test period and revenues on a forward-looking basis based on normalizing/pro forma adjustments. The adjustment includes the repricing of pro forma sales and transportation volumes at present rates using volumes that have been adjusted for unbilled revenue, abnormal weather, and any material customer load or schedule changes. As the revenue normalization adjustment reflects the effect of revenue at present rates, a corresponding adjustment is made to purchase gas costs that reflects the gas costs included in present rates. The combined effect of the revenue normalization and purchase gas cost adjustments is an increase of $1,273,000 to net operating income, as shown on Page 5 of Exhibit No. __(DMF-1).

The revenue adjustment includes the elimination of pipeline revenues billed by the Company to certain transportation customers. These revenues result from releases of pipeline capacity that the Company holds title to. These releases were made to several Company transportation customers at 100% of Northwest Pipeline rates, prior to FERC Order 636. As the Company (rather than the Pipeline) bills these customers for the use of this pipeline capacity, these billings are recorded as revenue. This revenue is deferred and credited to sales customers in the Company's PGA filings, thereby reducing pipeline transportation costs. As these revenues are deferred and passed through to customers, it is appropriate to eliminate them as part of the revenue normalization adjustment.

The rates used to price pro forma sales and transportation volumes include the present rates (as of August 2004) contained in Schedule 150 – Purchase Gas Cost Adjustment, which reflects approved changes in the Company's cost of gas in prior PGA filings. The rates used exclude temporary Gas Rate Adjustment Schedule 155, which reflects the approved (temporary) amortization rate for deferred gas costs approved in the Company's last PGA filing.

Q. Would you please briefly describe the unbilled revenue portion of the adjustment?

A. As billed usage for the test period does not represent actual usage by customers during the calendar test period, the unbilled revenue adjustment is necessary to estimate consumption during the calendar year. The estimated amount of unbilled revenue is based on a detailed examination of billed consumption and meter reading days during the beginning and end of the test year. The adjustment for unbilled revenue results from subtracting this estimate of unbilled revenue from the net amount of unbilled revenue actually recorded during the year.

Q. Why is the amount of the pro forma unbilled revenue adjustment different from the amount shown in the Company's actual operating results?

A. The pro forma unbilled revenue adjustment applies the present rates in effect to the net unbilled usage to determine the amount of the revenue adjustment. In addition, the unbilled usage adjustment is a more detailed examination as compared to the estimate recorded in the Company's actual operating results.

Q. Could you please describe the weather normalization portion of the revenue adjustment?

A. The determination of the amount of gas usage associated with abnormal weather during the test period is described in Company Witness Knox's testimony. I am responsible for determining the amount of revenue associated with the adjustment using present rates in effect. The weather normalization portion of the revenue normalization adjustment increases revenue by $7.1 million, reflecting the fact that the 2003 test period was warmer than normal. Most of the $7.1 million revenue increase for abnormal weather is offset by a corresponding increase in purchase gas costs.

Q. Would you please explain the purchase gas cost portion of the adjustment made by the company in this filing?

A. Pro forma purchase gas costs were determined by multiplying pro forma customer usage for the test period by the purchase gas cost(s) per therm that were approved by the Commission in the Company's last PGA filing, effective October 3, 2003. The purchase gas cost adjustment is then determined by subtracting actual gas costs during the test year from pro forma gas costs. By making this adjustment, there is a matching of revenue and gas costs reflected in present rates.

Q. Is any adjustment made to the Company's DSM tariff rider revenues and expenses as part of this adjustment?

A. Yes. Both the revenue collected under the tariff and expenses associated with DSM expenditures are eliminated as part of the adjustment.

Q. Is the Company proposing any changes to its present (Commission approved) allocation of purchase gas costs by service schedule in this Case?

A. No, it is not.

General Information

Q. The last general rate change in the company's natural gas rates was approved by this Commission in November 2000 based on a 1998 test year. Could you generally describe what has occurred with regard to the company's natural gas sales and rates since 1998?

A. Yes. Since 1998, the cost of natural gas has risen substantially. Changes in the cost of gas are passed on to customers through Purchased Gas Cost Adjustment (PGA) filings / rate changes. Since November 1998, the billing rate for residential and small commercial customers has risen from about 38 cents per therm to a current level of about 80 cents per therm. During that same time period, the average monthly usage for these customers has decreased from 86 therms to 78 therms, or approximately 10%. Customers have responded to higher natural gas rates by reducing their consumption.

Q. Has the company seen a similar decrease in customer usage in the other states where it provides natural gas service?

A. Yes it has.

Q. Have the number of natural gas customers served by the company increased since 1998?

A. Yes. The number of natural gas customers served by the company in Washington has increased by approximately 15,000 since 1998. This represents an increase of approximately 13% in the total number of customers served during this period.

Q. What effect does an increase in the number of customers served and a simultaneous decrease in customer usage have on the company's operating results?

A. Service to new customers requires additional investment in gas mains and services, as well as additional operating costs related to meter reading, billing, etc. Most non-gas costs associated with providing service to customers are fixed and do not vary considerably with customers' usage. However, as most of these fixed costs are recovered through the commodity/usage rate, the company will not recover these costs if customer usage declines.

Q. If the company's residential and small commercial customers (served under Schedule 101) used the same amount of gas that they used on average in 1998, how much additional margin (revenue less gas costs) would the company have reflected in this filing?

A. Customers would have used an additional 11.4 million therms, and the company would have collected approximately an additional $1.9 million in annual margin.

Q. Does the company expect customers to increase their natural gas usage in the foreseeable future?

A. No. There is nothing to suggest that customers will increase their usage in the near future. Simultaneous with this filing, the Company filed for a 12% PGA increase to reflect current and projected gas costs. Further, forward gas prices do not show a significant decrease from current levels for the foreseeable future.

Q. Has the company also seen a decrease in usage by its large customers since its

last general gas case?

A. Yes. Since 1998, the company's largest natural gas customer in Washington, Kaiser Aluminum (Kaiser), has closed its smelter plant and has decreased natural gas usage at its rolling mill by two-thirds. Kaiser has reduced its natural gas usage from 44 million to 12 million therms annually, or a reduction of 32 million therms. The company has provided gas transportation service to Kaiser under a special contract rate of 2.8 cents per therm since 1991. Kaiser's reduction in gas usage has resulted in a loss of approximately $900,000 annually in natural gas margin to the company.

Additionally, Northwest Alloys, a magnesium producer owned by Alcoa, ceased operation in 2002. Northwest Alloys was the company's second largest natural gas customer served in Washington, with usage of approximately 12 million therms annually. Northwest Alloys was a gas transportation customer served under Schedule 146, providing approximately $500,000 in natural gas margin annually.

Q. Are there any plans for either Northwest Alloys or the Kaiser smelter to resume operation in the future?

A. No, there is not. The Northwest Alloys plant has been decommissioned and the Kaiser smelter was recently sold to a company that plans to dismantle the plant.

Q. Has the company added any large industrial customers since its last general case?

A. Yes. BF Goodrich constructed an aircraft brake manufacturing plant near Spokane in 1999. While they initially projected their usage would reach 10 million therms annually, their present annual gas usage is only 2.2 million therms. However, there is an annual minimum contract provision associated with 10 million therms, which I will discuss later in my testimony.

Rate Spread

Q. Would you please review the Company's present rate schedules and the types of gas service offered under each?

A. Yes. The Company's present Schedules 101, 111, and 121 offer firm sales service. Schedule 101 generally applies to residential and small commercial customers who use less than 200 therms/month. Schedule 111 is generally for customers who consistently use over 200 therms/month and Schedule 121 is generally for customers who use over 10,000 therms/month and have a high annual load factor.

Schedule 131 provides interruptible sales service to customers whose annual requirements exceed 250,000 therms. Schedule 146 provides transportation/ distribution service for customer-owned gas for customers whose annual requirements exceed 250,000 therms.

Q. The Company also has rate schedules 112, 122, and 132 on file with the Commission. Could you please explain what customers are eligible for service under these schedules?

A. Schedules 112, 122, and 132 are in place to provide service to customers who at one time were provided service under Transportation Service Schedule 146. The rates under these schedules are the same as those under Schedules 111, 121, and 131 respectively, except for the application of temporary Gas Rate Adjustment Schedule 155. Schedule 155 is a temporary rate adjustment used to amortize deferred gas costs approved by the Commission in prior PGA filings. Transportation service customers are analyzed individually to determine their appropriate share of deferred gas costs. If those customers switch back to sales service, the Company continues to analyze deferred gas costs for those customers individually, otherwise, those customers would receive deferrals which are not due them, thus the need for Schedules 112, 122 and 132. There are presently only 13 customers in total served under Schedules 112, 122 and 132.

Q. How many customers does the Company serve under each of its rate schedules?

A. The Company provides service to the following number of customers under each of its schedules:

Schedule	Type of Customer	No. of Customers
General Service 101	Residential & Sm. Commercial	129,000
Lg. General Service 111	Comm. & Ind. over 200 therms/mo.	2,300
Ex. Lg. Gen. Service 121	Comm. & Ind. over 10,000 therms/mo.	38
Interruptible Service 131	Interruptible over 250,000 therms/yr.	2
Transportation Service 146	Transportation of Customer-owned Gas	22

Q. How does the Company propose to spread the overall revenue increase of $8,635,000 among its general service schedules?

A. The Company is proposing the following increase by rate schedule:

General Service Schedule 101	7.1%
Large General Service Schedule 111/112	3.7%
Extra Large General Service Schedule 121/122	4.4%
Interruptible Sales Service Schedule 131/132	2.9%
Transportation Service Schedule 146	30.8%

This information is also shown on Page 1, Section 3 of Exhibit No. __(BJH-1).

Q. Why is the Company proposing such a substantial increase for Transportation Schedule 146?

A. The proposed increase for Transportation Schedule 146 is not comparable to the proposed increases for the other (sales) service schedules, as Schedule 146 revenue does not include an amount for the cost of gas or pipeline transportation (transportation customers acquire their own gas and pipeline transportation), whereas the other sales schedules include an appropriate level of revenue to cover those costs. Including an assumed level of 50.0 cents per therm for the cost of gas and pipeline transportation, the proposed increase to Schedule 146 rates would represent an average increase of 3.0% in those customers' total gas bill, which is then expressed on a comparable basis to the proposed increase to the other (sales) service schedules.

Q. What rationale did the Company use in its proposed spread of the overall revenue increase to the various rate schedules?

A. The Company utilized the results of the cost of service study, as sponsored by Company witness Knox, as a guide in developing the proposed rate spread. The proposed spread of the increase results in a movement of the rate of return for each of the service schedules of approximately two-thirds toward the proposed overall rate of return (unity).

Page 2, Section 3 of Exhibit No. __(BJH-1) shows the rates of return for each of the Company's gas schedules before and after application of the proposed increases. Column (d) shows the relative rates of return under present rates and column (f) shows the relative rates of return under proposed rates. The relative rate of return is the result of dividing the rate of return for the schedule by the overall rate of return for the company's Washington gas operations. The relative rates of return before and after application of the proposed increases by schedule are as follows:

	Before	After
Schedule 101:	0.96	0.99
Schedule 111:	1.29	1.09
Schedule 121:	0.62	0.87
Schedule 131:	0.90	0.97
Schedule 146:	0.52	0.84

As shown, the relative rates of return for all schedules move approximately two-thirds of the way toward unity (1.00) after application of the proposed increase(s).

Q. Are there any substantial changes in the relative rates of return by schedule as compared to similar information presented in the company last general case?

A. Yes. The rate of return for Transportation Schedule 146 exceeded the overall rate of return based on a 1998 test year, whereas the rate of return for that Schedule is now considerably less than the overall return.

Q. Why has this reduction in the rate of return for Schedule 146 occurred?

A. Customer usage under the Schedule has declined from 44 million therms in 1998 to 20 million therms in 2003, and revenue/margin received under the Schedule has declined from $2.2 million to $1.1 million annually. Nearly all of this decline results from the loss of Northwest Alloys, as previously mentioned, and the execution of special contracts with two other large customers previously served under the Schedule, Washington State University (WSU) and Washington Potato. The loss of these three customers under the Schedule, who previously provided approximately 50% of the margin received, is the primary reason the (relative) rate of return has declined so substantially.

Q. Could you provide more information regarding the two special contracts with WSU and Washington Potato mentioned above?

A. Both customers had a viable option to bypass the company's distribution system and direct-connect to Northwest (Williams) Pipeline. The company negotiated with these customers in an attempt to maximize the margin and system benefits provided to Avista's other customers. Both agreements were filed with and approved by the Commission, the agreement with Washington Potato effective October 2002 and the agreement with WSU effective June 2003. All revenue billed and received under these agreements is recorded under (Banded-Rate) Transportation Schedule 148.

Q. Could you please describe (Banded-Rate) Transportation Schedule 148 and any other customers that are provided service under that Schedule?

A. Banded-Rate Transportation Schedule 148 provides for gas transportation/distribution service at negotiated rate(s) based on the customer's alternative to taking distribution service from the company. In addition to Washington Potato and WSU, three other customers have special contracts that are provided service under the Schedule. These customers are Kaiser, Lamb-Weston, a food processor located near Connell, Washington, and Mutual Materials, a brick manufacturer located in the Spokane Valley. All of these customers are in close proximity to a natural gas pipeline and have the option to bypass the company's distribution system.

Q. Were the contracts with Kaiser, Lamb-Weston and Mutual Materials reflected in the company's last general filing?

A. Yes they were.

Q. Looking at Page 2, Section 3 of Exhibit No. __(BJH-1), there is no rate of return information shown for Schedule 148 (special contracts). Why not?

A. The rates for the special contracts included under Schedule 148 are fixed for the term of the agreements. The revenue collected from these customers recover the incremental costs of providing service and contribute to the fixed costs associated with providing gas service to all customers. Rather than allocate costs to these customers in the cost of service study, the company believes it is more reasonable to allocate (credit) the revenue received from these customers back to the other service schedules. This revenue is allocated to the other schedules based on rate base (net plant) in the cost of service study sponsored by Witness Knox.

Q. How much is the annual revenue received from these special contract customers?

A. Approximately $1.2 million.

Q. You mentioned earlier in your testimony that BF Goodrich presently is using

2.2 million therms annually, but is subject to an annual minimum contract provision associated with usage of 10 million therms. Could you please provide more information regarding natural gas service provided to this customer?

A. Yes. BF Goodrich owns an aircraft brake manufacturing plant (plant) that began operating in 1999. In order for the company to deliver natural gas to the plant, construction of a 4.5 mile eight-inch high-pressure gas main was necessary. The total installed cost of the gas main was approximately $1.3 million. Because of the substantial initial investment required to serve the plant, the company required BF Goodrich to execute a ten-year agreement with annual minimum usage (take-or-pay) requirements. The annual minimum usage requirement is presently 10 million therms per year and will increase to 10.5 million therms for the remaining five years of the agreement. Any deficiency in their annual usage is assessed a charge of 4.704 cents per therm, which was the rate under Transportation Schedule 146 at the time the contract was executed. In April 2004, BF Goodrich was assessed an annual minimum deficiency charge of $365,000, as they used only 2.2 million therms during the prior (contract) year.

Q. What rate schedule is BF Goodrich served on and how is the revenue received from BF Goodrich reflected in the company's cost of service study sponsored by company witness Knox?

A. BF Goodrich takes service under Transportation Schedule 146. The revenue received from BF Goodrich for their actual gas usage during the year (2.2 million therms) is reflected as Schedule 146 revenue and gas operating costs are allocated to Schedule 146 based on this level of usage in the company's cost of service study. The annual minimum charge revenue ($365,000) is allocated back to all service schedules, including Transportation Schedule 146, based on the allocation of net plant, similar to the allocation of revenue received from Schedule 148 / special contract customers.

Q. Since BF Goodrich is a customer served under Schedule 146, why does the company allocate the annual minimum charge revenue ($365,000) back to the other service schedules, rather than directly assign it to Schedule 146?

A. As there is no usage associated with the charge of $365,000, there is no allocation of usage-related costs in the cost of service study. Further, there is no direct-assignment of the $1.3 million gas main constructed to serve the plant. Reflecting additional revenue of $365,000 under Schedule 146, with no allocation or direct assignment of distribution and operating costs, would not provide a fair or reasonable estimate of the rate of return for the Schedule.

Q. Why doesn't the company directly assign the cost of the gas main (and the annual minimum charge revenue) to Schedule 146?

A. Directly assigning the cost of the main and the annual minimum charge revenue would still not provide a reasonable matching of revenue and costs related to a timing issue. As the service agreement between the company and BF Goodrich is only for a ten-year period, the recovery of the $1.3 million capital cost was "front-loaded," as compared to the estimated life of the plant (55 years). As a result, directly assigning the revenue and cost would overstate the present return for Schedule 146, and understate the return when the present contract and the annual minimum provision expires. Additionally, another customer is served from this main and others probably will be in the future. Typically, the company only directly assigns distribution costs if they are related to service to a single customer.

Rate Design

Q. Could you please explain what is shown on Page 3, Section 3 of Exhibit No. __(BJH-1)?

A. Yes. Page 3 of Section 3 shows a comparison of the present and proposed rates within each of the Company's gas service schedules.

Q. Could you please explain the present rate design of the Company's gas service schedules?

A. General Service Schedule 101 generally applies to residential and small commercial customers who use less than 200 therms/month. The schedule contains a single rate per therm for all gas usage and a monthly customer/basic charge.

Large General Service Schedule 111 has a three-tier declining-block rate structure and is generally for customers who consistently use over 200 therms/month. The schedule consists of a monthly minimum charge for the first 200 therms or less, and block rates for the first 200 therms, the next 800 therms and usage over 1,000 therms per month.

Extra Large General Service Schedule 121 has a five-tier declining-block rate structure with a monthly minimum charge for the first 500 therms or less, and block rates for the first 500 therms, the next 500 therms, the next 9000 therms, the next 15,000 therms, and usage over 25,000 therms/month. There is also an annual minimum requirement of 60,000 therms under the schedule and a minimum load factor requirement of approximately 58%.

Interruptible Sales Service Schedule 131 has a four-tier declining-block rate structure for the first 10,000 therms, the next 15,000 therms, the next 25,000 therms, and usage over 50,000 therms per month. The Schedule also has an annual minimum deficiency charge based on a usage requirement of 250,000 therms per year.

Transportation Service Schedule 146 contains a $200 per month customer charge and a five-tier decining-block rate structure for the first 20,000 therms, the next 30,000 therms, the next 250,000 therms, the next 200,000 therms, and usage over 500,000 therms per month. The Schedule also has an annual minimum deficiency charge based on a usage requirement of 250,000 therms per year.

Q. Is the Company proposing any changes to the present rate structures contained in its gas service schedules?

A. No, it is not.

Q. You stated earlier in your testimony that the Company is proposing an overall increase of 7.1% to the rates of General Service Schedule 101. Is the Company proposing an increase to the present basic/customer charge of $5.00/month under the schedule?

A. Yes, it is. The Company is proposing that the basic charge be increased from $5.00 to $5.50 per month. A significant portion of the cost of providing gas service to sales customers represents costs other than the cost of the gas itself, many of which are fixed costs that do not vary with customer usage. Page 4, Section 3 of Exhibit No. __(BJH-1) shows the monthly cost to serve Schedule 101 customers associated only with meters, meter reading, billing, and service lines, as extracted from the Company's cost of service study. The service line provides a connection from the distribution main, which typically runs along side the street in front of a customer's residence, to the customer's meter. As shown, these costs average $10.15 per customer per month; therefore, the proposed basic charge of $5.50 would only recover about 54% of these basic fixed costs required to provide service. The Company believes that the basic charge should, at a minimum, recover these costs. However, the Company also believes it would be appropriate to increase the charge over a period of time and that the proposed increase from $5.00 to $5.50 is reasonable at this time.

Q. Given the proposed increase to the basic charge, what is the resulting increase to the rate per therm under Schedule 101, in order to achieve the proposed revenue increase of 7.1%?

A. The resulting proposed increase to the energy rate under the schedule is 5.059 cents per therm.

Q. What would be the increase in the typical residential customer's bill based on the Company's proposed increase for Schedule 101?

A. The increase for a typical residential customer using 78 therms of gas per month would be $4.45 per month, or an increase from $67.23 per month to $71.68 per month (including all present rate adjustments).

Q. Could you please explain the proposed changes in the rates for Large and Extra Large General Service Schedules 111 and 121?

A. The present rates for Schedules 101, 111, and 121 provide a clear distinction for customer placement: customers who use less than 200 therms/month should be placed on Schedule 101, customers who use between 200 and 10,000 therms per month should be placed on Schedule 111, and only those customers who generally use over 10,000 therms per month should be placed on Schedule 121. Not only do the rates provide a guide for customer schedule placement, they provide a reasonable classification of customers for analyzing the costs of providing service.

The Company's proposed rates for Schedules 111 and 121 will maintain the rate structure within the schedules and continue to provide a guide for appropriate schedule placement for customers and a reasonable classification for cost analysis. The proposed increase to the minimum charge for Schedule 111 (for 200 therms or less) of $10.62 per month was derived by multiplying the proposed increase to the Schedule 101 rate per therm (5.059 cents) by 200 and adding the proposed increase in the customer charge of $0.50. This methodology maintains the present relationship between the Schedules, and will minimize customer shifting. The remaining proposed revenue increase for Schedule 111 was then spread on an equal cents per therm basis (2.130 cents) to the remaining two rate blocks under the Schedule, resulting in an overall revenue increase of 3.7% for the Schedule.

For Schedule 121, the increase in the minimum charge (for 500 therms or less) of $25.80 was derived by multiplying the proposed increase in the Schedule 101 rate per therm by 500 and adding the increase in customer charge of $0.50. The second and third block rates were then set equal to the corresponding block rates under Schedule 111. Again, this methodology maintains the present relationship between the Schedules, and will minimize customer shifting. The proposed increase to the last two blocks was applied on an equal cents per therm basis (3.180), resulting in an overall revenue increase of 4.4% for the Schedule.

Q. How is the company proposing to spread the proposed increase to Transportation Schedule 146 to the five block rates within the Schedule?

A. The Company is proposing to spread the increase on a uniform percentage basis to each of the present block rates under the Schedule. Therefore, all customers served under the Schedule will receive a similar increase, on a percentage basis. The proposed increase to each of the block rates, as well as the present and proposed rates are shown at the bottom of page 3, Section 3 of Exhibit No. __(BJH-1).

<u>**Gas Benchmark Transition**</u>

Q. Would you briefly describe the Transition Plan to transfer the company's gas procurement functions from Avista Energy, under the Gas Benchmark Mechanism, back to the utility?

A. Yes. In the Washington Commission's Seventh Supplemental Order, Docket No. UG-021584, the Commission approved the Company's Transition Plan to return Avista Utilities' natural gas procurement, transportation and storage management functions from its subsidiary, Avista Energy, back to Avista Utilities. Schedule 163 (Natural Gas Benchmark Mechanism), which allowed Avista Energy to act as agent for the Utility's natural gas procurement operations, expired April 30, 2004.

The Transition Plan period runs through March 31, 2005, at which time all natural gas procurement, transportation and storage management functions are to be transitioned back to the Utility. During the transition period, the Utility continues to consult with and draw on the expertise of Avista Energy; however, management and decision-making related to the natural gas procurement functions resides with Avista Utilities. The execution of transactions is conducted by Avista Energy. For providing this service, the Utility pays Avista Energy a management fee of $75,000 per month through March 2005.

As described in the Transition Plan, there is no sharing of benefits or costs between Avista Energy and Avista Utilities during the transition period. All costs and benefits associated with the natural gas procurement functions, including Commodity, Jackson Prairie (JP) Storage, Transportation and Basin Optimization, are passed onto Avista Utilities' customers through the Company's purchased gas adjustment (PGA).

Avista Utilities is currently taking the steps necessary to bring the gas procurement functions back within the utility, such as hiring and training of employees, appropriate notifications of pipeline, storage and third party suppliers, increasing the credit line at the utility, and development and documentation of internal administrative procedures.

Q. Is the Company including a pro forma adjustment in this case related to the additional costs of returning the natural gas procurement functions to the Utility?

A. Yes. Included in the Company's pro forma adjustments is Washington's allocated portion of the estimated additional costs for loaded labor and associated administrative support costs for five additional employees. Workpapers outlining the additional costs to bring the natural gas procurement functions back into the utility have been provided with this filing. Washington's allocated portion of the cost is approximately $320,000. The effect of this adjustment reduces Washington net operating income by $208,000.

Q. Does that complete your pre-filed direct testimony in this proceeding?

A. Yes, it does.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. __________

EXHIBIT NO. ______ (BJH-2)

SECTION 1 – PRESENT NATURAL GAS TARIFFS

BRIAN J. HIRSCHKORN

REPRESENTING AVISTA CORPORATION

SCHEDULE 101

GENERAL SERVICE - FIRM - WASHINGTON

AVAILABLE:

To Customers in the State of Washington where the Company has natural gas service available.

APPLICABLE:

To firm gas service for any purpose when all such service is supplied at one point of delivery through a single meter.

MONTHLY RATE:

$5.00 Basic charge, plus
59.311¢ per therm

Minimum Charge: $5.00

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

Customers served at gas pressures exceeding two pounds per square inch will be required to execute a special contract for service.

The above Monthly Rate is subject to the provisions of Purchase Gas Cost Adjustment Schedule 150, Purchase Gas Cost Adjustment Schedule 156, Gas Rate Adjustment Schedule 155, Tax Adjustment Schedule 158 and Energy Efficiency Rider Adjustment Schedule 191.

SCHEDULE 111

LARGE GENERAL SERVICE - FIRM - WASHINGTON

AVAILABLE:

To Customers in the State of Washington where the Company has natural gas service available.

APPLICABLE:

To firm gas service for any purpose, subject to execution of a service agreement for a term of one year or longer. All such service used on the premises shall be supplied at one point of delivery through a single meter.

MONTHLY RATE:

First	200 therms	61.810¢ per therm
Next	800 therms	56.810¢ per therm
All over	1,000 therms	50.257¢ per therm

Minimum Charge: $123.62, unless a higher minimum is required under contract to cover special conditions.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

Customers served at gas pressures exceeding two pounds per square inch will be required to execute a special contract for service.

Customers who temporarily close their account will be billed for any unpaid monthly minimum charges at the time the account is reopened. This provision will apply to a Customer who has closed and reopened an account at the same address within a twelve-month period.

Customers served under this schedule who desire to change to an interruptible or transportation service schedule must provide written notice to the Company at least ninety (90) days prior to the effective date of the schedule change.

The above Monthly Rate is subject to the provisions of Purchase Gas Cost Adjustment Schedule 150, Purchase Gas Cost Adjustment Schedule 156, Gas Rate Adjustment Schedule 155, Tax Adjustment Schedule 158 and Energy Efficiency Rider Adjustment Schedule 191.

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 112

LARGE GENERAL SERVICE - FIRM - WASHINGTON

AVAILABLE:

To Customers in the State of Washington where the Company has natural gas service available. Customers served under this schedule must have previously been served under one of the Company's transportation schedules.

APPLICABLE:

To firm gas service for any purpose, subject to execution of a service agreement for a term of one year or longer. All such service used on the premises shall be supplied at one point of delivery through a single meter.

MONTHLY RATE:

First	200 therms	61.810¢ per therm
Next	800 therms	56.810¢ per therm
All over	1,000 therms	50.257¢ per therm

Minimum Charge: $123.62, unless a higher minimum is required under contract to cover special conditions.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

Customers served at gas pressures exceeding two pounds per square inch will be required to execute a special contract for service.

Customers who temporarily close their account will be billed for any unpaid monthly minimum charges at the time the account is reopened. This provision will apply to a Customer who has closed and reopened an account at the same address within a twelve-month period.

Customers served under this schedule who desire to change to an interruptible or transportation service schedule must provide written notice to the Company at least ninety (90) days prior to the effective date of the schedule change.

The above Monthly Rate is subject to the provisions of Purchase Gas Cost Adjustment Schedule 150, Purchase Gas Cost Adjustment Schedule 156, Gas Rate Adjustment Schedule 155, Tax Adjustment Schedule 158 and Energy Efficiency Rider Adjustment Schedule 191.

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 121

HIGH ANNUAL LOAD FACTOR LARGE GENERAL SERVICE - FIRM - WASHINGTON

AVAILABLE:

To Customers in the State of Washington where the Company has natural gas service available and whose requirements for firm gas service exceed 60,000 therms per year.

APPLICABLE:

To firm gas service for any purpose, subject to execution of a service contract for a term of one year or longer. All such service used on the premises shall be supplied at one point of delivery and metering.

MONTHLY RATE:

First	500 therms	60.312¢ per therm
Next	500 therms	56.810¢ per therm
Next	9,000 therms	50.257¢ per therm
Next	15,000 therms	47.210¢ per therm
All over	25,000 therms	46.230¢ per therm

Minimum Charge: $301.56, unless a higher minimum is required under contract to cover special conditions.

ANNUAL MINIMUM USE:

The annual minimum use shall be the greater of: (a) 60,000 therms, or (b) seven times the maximum therm usage for any normal billing month (27-35 days) during the preceeding November through March period (adjusted to a 30-day billing period). If a deficiency results from subtracting this annual minimum use from the Customer's total use for the preceeding November 1 through October 31 period ("annual deficiency"), the Customer will have the choice of: (1) remaining on this Schedule and paying an amount equal to the annual deficiency multiplied by the then effective third-block rate under this Schedule, or (2) transferring their account to Large General Service Schedule 111 and paying the difference between their actual bill for the period and their bill for the period had they taken service under Schedule 111.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

Issued November 14, 2000 Effective December 1, 2000

Issued by Avista Corporation
By Thomas D Dukich , Manager Rates & Tariff Administration

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 122

HIGH ANNUAL LOAD FACTOR LARGE GENERAL SERVICE - FIRM - WASHINGTON

AVAILABLE:

To Customers in the State of Washington where the Company has natural gas service available and whose requirements for firm gas service exceed 60,000 therms per year. Customers served under this schedule must have previously been served under one of the Company's transportation schedules.

APPLICABLE:

To firm gas service for any purpose, subject to execution of a service contract for a term of one year or longer. All such service used on the premises shall be supplied at one point of delivery and metering.

MONTHLY RATE:

First	500 therms	60.312¢ per therm
Next	500 therms	56.810¢ per therm
Next	9,000 therms	50.257¢ per therm
Next	15,000 therms	47.210¢ per therm
All over	25,000 therms	46.230¢ per therm

Minimum Charge: $301.56, unless a higher minimum is required under contract to cover special conditions.

ANNUAL MINIMUM:

The annual minimum use shall be the greater of: (a) 60,000 therms, or (b) seven times the maximum therm usage for any normal billing month (27-35 days) during the preceeding November through March period (adjusted to a 30-day billing period). If a deficiency results from subtracting this annual minimum use from the Customer's total use for the preceeding November 1 through October 31 period ("annual deficiency"), the Customer will have the choice of: (1) remaining on this Schedule and paying an amount equal to the annual deficiency multiplied by the then effective third-block rate under this Schedule, or (2) transferring their account to Large General Service Schedule 112 and paying the difference between their actual bill for the period and their bill for the period had they taken service under Schedule 112.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 131

INTERRUPTIBLE SERVICE - WASHINGTON

AVAILABLE:

To Customers in the State of Washington whose requirements exceed 250,000 therms of gas per year and who comply with the Special Terms and Conditions set forth below, provided: (1) a volume of gas for the service requested is available to the Company for purchase; (2) the Company has access to available transportation capacity on interconnected pipelines; (3) the Company's existing distribution system has capacity, in excess of its existing requirements for firm gas service, adequate for the service requested by Customer.

APPLICABLE:

To interruptible gas service for any purpose subject to provisions of a service agreement for a term of one year or longer. All such service used on the premises shall be supplied at one point of delivery and metering.

MONTHLY RATE:

First	10,000 therms	51.074¢ per therm
Next	15,000 therms	47.000¢ per therm
Next	25,000 therms	46.000¢ per therm
All over	50,000 therms	45.800¢ per therm

ANNUAL MINIMUM:

Each Customer shall be subject to an Annual Minimum Deficiency Charge if their gas usage during the prior year did not equal or exceed 250,000 therms. Such Annual Minimum Deficiency Charge shall be determined by subtracting the Customer's actual usage for the twelve-month period ending each August from 250,000 therms multiplied by 13¢ per therm.

SPECIAL TERMS AND CONDITIONS:

1. Service under this schedule shall be subject to interruption at such times and in such amounts as, in the Company's judgment, interruption is necessary. The Company will not be liable for damages occasioned by interruption of service supplied under this schedule.

(K) Materials transferred to Sheet 131A

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 132

INTERRUPTIBLE SERVICE - WASHINGTON

AVAILABLE:

To Customers in the State of Washington whose requirements exceed 250,000 therms of gas per year and who comply with the Special Terms and Conditions set forth below, provided: (1) a volume of gas for the service requested is available to Company for purchase; (2) the Company has access to available transportation capacity on interconnected pipelines; (3) the Company's existing distribution system has capacity, in excess of its existing requirements for firm gas service, adequate for the service requested by Customer. Customers served under this schedule must have previously been served under one of the Company's transportation schedules.

APPLICABLE:

To interruptible gas service for any purpose subject to provisions of a service agreement for a term of one year or longer. All such service used on the premises shall be supplied at one point of delivery and metering.

MONTHLY RATE:

First	10,000 therms	51.074¢ per therm
Next	15,000 therms	47.000¢ per therm
Next	25,000 therms	46.000¢ per therm
All over	50,000 therms	45.800¢ per therm

ANNUAL MINIMUM:

Each Customer shall be subject to an Annual Minimum Deficiency Charge if their gas usage during the prior year did not equal or exceed 250,000 therms. Such Annual Minimum Deficiency Charge shall be determined by subtracting the Customer's actual usage for the twelve-month period ending each August from 250,000 therms multiplied by 13¢ per therm.

SPECIAL TERMS AND CONDITIONS:

1. Service under this schedule shall be subject to interruption at such times and in such amounts as, in the Company's judgment, interruption is necessary. The Company will not be liable for damages occasioned by interruption of service supplied under this schedule.

(K) Materials transferred to Sheet 132A

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 146

TRANSPORTATION SERVICE FOR CUSTOMER-OWNED GAS - WASHINGTON

AVAILABLE:

To Commercial and Industrial Customers in the State of Washington whose requirements exceed 250,000 therms of gas per year provided that the Company's existing distribution system has capacity adequate for the service requested by Customer.

APPLICABLE:

To transportation service for a Customer-owned supply of natural gas. Service shall be supplied at one point of delivery and metering for use by a single customer.

MONTHLY RATE:

$200.00 Customer Charge, plus

First 20,000 therms	5.969¢ per therm
Next 30,000 therms	5.329¢ per therm
Next 250,000 therms	4.820¢ per therm
Next 200,000 therms	4.470¢ per therm
All over 500,000 therms	3.400¢ per therm

ANNUAL MINIMUM:

Each Customer shall be subject to an Annual Minimum Deficiency Charge if their gas usage during the prior year did not equal or exceed 250,000 therms. Such Annual Minimum Deficiency Charge shall be determined by subtracting the Customer's actual usage for the twelve-month period ending each August from 250,000 therms multiplied by 5.329¢ per therm.

SPECIAL TERMS AND CONDITIONS:

1. Service hereunder shall be provided subject to execution of a contract between the Customer and the Company for a term of not less than one year. The contract shall also specify the maximum daily volume of gas to be transported.

Issued November 14, 2000 Effective December 1, 2000

Issued by Avista Corporation
By Thomas D Dukich, Manager Rates & Tariff Administration

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 156

PURCHASE GAS COST ADJUSTMENT - WASHINGTON

APPLICABLE:
To Customers in the State of Washington where the Company has natural gas service available.

PURPOSE:
To pass through increases or decreases in natural gas costs to become effective as noted below.

RATE:
(a) The rates of gas Schedule 101 is to be increased by 14.749¢ per therm in all blocks of these rate schedules.
(b) The rates of gas Schedules 111 and 112 are to be increased by 14.744¢ per therm in all blocks.
(c) The rates of gas Schedules 121 and 122 are to be increased by 14.733¢ per therm in all blocks.
(d) The rates of interruptible Schedules 131 and 132 are to be increased by 14.709¢ per therm in all blocks.
(e) The rates of transportation Schedule 146 are to be increased by 0.011¢ per therm in all blocks.

WEIGHTED AVERAGE GAS COST:
The above rate changes are based on the following weighted average cost of gas as of the effective date shown below:

	Demand	Commodity	Total
Schedule 101	8.172¢	46.298¢	54.470¢
Schedule 111 & 112	8.024¢	46.298¢	54.322¢
Schedule 121/122	7.751¢	46.298¢	54.049¢
Schedule 131/132	7.107¢	46.298¢	53.405¢
Schedule 146	0.199¢	0.000¢	0.199¢

SPECIAL TERMS AND CONDITIONS:
The rates named herein are subject to increases as set forth in Tax Adjustment Schedule 158.

Issued August 25, 2003 Effective September 11, 2003

Issued by Avista Corporation
By Kelly Norwood Kelly Norwood, Vice-President, Rates & Regulation

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. __________

EXHIBIT NO. ______ (BJH-2)

SECTION 2 – PROPOSED NATURAL GAS TARIFFS

BRIAN J. HIRSCHKORN

REPRESENTING AVISTA CORPORATION

SCHEDULE 101

GENERAL SERVICE - FIRM - WASHINGTON

AVAILABLE:

To Customers in the State of Washington where the Company has natural gas service available.

APPLICABLE:

To firm gas service for any purpose when all such service is supplied at one point of delivery through a single meter.

MONTHLY RATE:

$5.50 Basic charge, plus (I)
79.119¢ per therm (I)

Minimum Charge: $5.50 (I)

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

Customers served at gas pressures exceeding two pounds per square inch will be required to execute a special contract for service.

The above Monthly Rate is subject to the provisions of Purchase Gas Cost Adjustment Schedule 150, Purchase Gas Cost Adjustment Schedule 156, Gas Rate Adjustment Schedule 155, Tax Adjustment Schedule 158 and Energy Efficiency Rider Adjustment Schedule 191.

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 111

LARGE GENERAL SERVICE - FIRM - WASHINGTON

AVAILABLE:

To Customers in the State of Washington where the Company has natural gas service available.

APPLICABLE:

To firm gas service for any purpose, subject to execution of a service agreement for a term of one year or longer. All such service used on the premises shall be supplied at one point of delivery through a single meter.

MONTHLY RATE:

First	200 therms	81.864¢ per therm	(I)
Next	800 therms	73.684¢ per therm	(I)
All over	1,000 therms	67.131¢ per therm	(I)

Minimum Charge: $134.24 plus 14.744¢ per therm, unless a higher minimum is required under contract to cover special conditions. (I)

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

Customers served at gas pressures exceeding two pounds per square inch will be required to execute a special contract for service.

Customers who temporarily close their account will be billed for any unpaid monthly minimum charges at the time the account is reopened. This provision will apply to a Customer who has closed and reopened an account at the same address within a twelve-month period.

Customers served under this schedule who desire to change to an interruptible or transportation service schedule must provide written notice to the Company at least ninety (90) days prior to the effective date of the schedule change.

The above Monthly Rate is subject to the provisions of Purchase Gas Cost Adjustment Schedule 150, Purchase Gas Cost Adjustment Schedule 156, Gas Rate Adjustment Schedule 155, Tax Adjustment Schedule 158 and Energy Efficiency Rider Adjustment Schedule 191.

Issued August 20, 2004 Effective September 20, 2004

Issued by Avista Corporation
By Kelly Norwood, Vice-President, Rates & Regulation

Kelly Norwood

SCHEDULE 112

LARGE GENERAL SERVICE - FIRM - WASHINGTON

AVAILABLE:

To Customers in the State of Washington where the Company has natural gas service available. Customers served under this schedule must have previously been served under one of the Company's transportation schedules.

APPLICABLE:

To firm gas service for any purpose, subject to execution of a service agreement for a term of one year or longer. All such service used on the premises shall be supplied at one point of delivery through a single meter.

MONTHLY RATE:

First	200 therms	81.864¢ per therm	(I)
Next	800 therms	73.684¢ per therm	(I)
All over	1,000 therms	67.131¢ per therm	(I)

Minimum Charge: $134.24 plus 14.744¢ per therm, unless a higher minimum is required under contract to cover special conditions. (I)

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

Customers served at gas pressures exceeding two pounds per square inch will be required to execute a special contract for service.

Customers who temporarily close their account will be billed for any unpaid monthly minimum charges at the time the account is reopened. This provision will apply to a Customer who has closed and reopened an account at the same address within a twelve-month period.

Customers served under this schedule who desire to change to an interruptible or transportation service schedule must provide written notice to the Company at least ninety (90) days prior to the effective date of the schedule change.

The above Monthly Rate is subject to the provisions of Purchase Gas Cost Adjustment Schedule 150, Purchase Gas Cost Adjustment Schedule 156, Gas Rate Adjustment Schedule 155, Tax Adjustment Schedule 158 and Energy Efficiency Rider Adjustment Schedule 191.

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 121

HIGH ANNUAL LOAD FACTOR LARGE GENERAL SERVICE - FIRM - WASHINGTON

AVAILABLE:

To Customers in the State of Washington where the Company has natural gas service available and whose requirements for firm gas service exceed 60,000 therms per year.

APPLICABLE:

To firm gas service for any purpose, subject to execution of a service contract for a term of one year or longer. All such service used on the premises shall be supplied at one point of delivery and metering.

MONTHLY RATE:

First	500 therms	80.205¢ per therm	(I)
Next	500 therms	73.684¢ per therm	(I)
Next	9,000 therms	67.131¢ per therm	(I)
Next	15,000 therms	65.123¢ per therm	(I)
All over	25,000 therms	64.143¢ per therm	(I)

Minimum Charge: $327.36 plus 14.733¢, unless a higher minimum is required under contract to cover special conditions. (I)

ANNUAL MINIMUM USE:

The annual minimum use shall be the greater of: (a) 60,000 therms, or (b) seven times the maximum therm usage for any normal billing month (27-35 days) during the preceeding November through March period (adjusted to a 30-day billing period). If a deficiency results from subtracting this annual minimum use from the Customer's total use for the preceeding November 1 through October 31 period ("annual deficiency"), the Customer will have the choice of: (1) remaining on this Schedule and paying an amount equal to the annual deficiency multiplied by the then effective third-block rate under this Schedule, or (2) transferring their account to Large General Service Schedule 111 and paying the difference between their actual bill for the period and their bill for the period had they taken service under Schedule 111.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 122

HIGH ANNUAL LOAD FACTOR LARGE GENERAL SERVICE - FIRM - WASHINGTON

AVAILABLE:

To Customers in the State of Washington where the Company has natural gas service available and whose requirements for firm gas service exceed 60,000 therms per year. Customers served under this schedule must have previously been served under one of the Company's transportation schedules.

APPLICABLE:

To firm gas service for any purpose, subject to execution of a service contract for a term of one year or longer. All such service used on the premises shall be supplied at one point of delivery and metering.

MONTHLY RATE:

First	500 therms	80.205¢ per therm	(I)
Next	500 therms	73.684¢ per therm	(I)
Next	9,000 therms	67.131¢ per therm	(I)
Next	15,000 therms	65.123¢ per therm	(I)
All over	25,000 therms	64.143¢ per therm	(I)

Minimum Charge: $327.36 plus 14.733¢ per therm, unless a higher minimum is required under contract to cover special conditions. (I)

ANNUAL MINIMUM USE:

The annual minimum use shall be the greater of: (a) 60,000 therms, or (b) seven times the maximum therm usage for any normal billing month (27-35 days) during the preceeding November through March period (adjusted to a 30-day billing period). If a deficiency results from subtracting this annual minimum use from the Customer's total use for the preceeding November 1 through October 31 period ("annual deficiency"), the Customer will have the choice of: (1) remaining on this Schedule and paying an amount equal to the annual deficiency multiplied by the then effective third-block rate under this Schedule, or (2) transferring their account to Large General Service Schedule 112 and paying the difference between their actual bill for the period and their bill for the period had they taken service under Schedule 112.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 131

INTERRUPTIBLE SERVICE - WASHINGTON

AVAILABLE:

To Customers in the State of Washington whose requirements exceed 250,000 therms of gas per year and who comply with the Special Terms and Conditions set forth below, provided: (1) a volume of gas for the service requested is available to the Company for purchase; (2) the Company has access to available transportation capacity on interconnected pipelines; (3) the Company's existing distribution system has capacity, in excess of its existing requirements for firm gas service, adequate for the service requested by Customer.

APPLICABLE:

To interruptible gas service for any purpose subject to provisions of a service agreement for a term of one year or longer. All such service used on the premises shall be supplied at one point of delivery and metering.

MONTHLY RATE:

First	10,000 therms	67.633¢ per therm	(I)
Next	15,000 therms	63.559¢ per therm	(I)
Next	25,000 therms	62.559¢ per therm	(I)
All over	50,000 therms	62.359¢ per therm	(I)

ANNUAL MINIMUM:

Each Customer shall be subject to an Annual Minimum Deficiency Charge if their gas usage during the prior year did not equal or exceed 250,000 therms. Such Annual Minimum Deficiency Charge shall be determined by subtracting the Customer's actual usage for the twelve-month period ending each August from 250,000 therms multiplied by 17¢ per therm. (I)

SPECIAL TERMS AND CONDITIONS:

1. Service under this schedule shall be subject to interruption at such times and in such amounts as, in the Company's judgment, interruption is necessary. The Company will not be liable for damages occasioned by interruption of service supplied under this schedule.

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 132

INTERRUPTIBLE SERVICE - WASHINGTON

AVAILABLE:

To Customers in the State of Washington whose requirements exceed 250,000 therms of gas per year and who comply with the Special Terms and Conditions set forth below, provided: (1) a volume of gas for the service requested is available to Company for purchase; (2) the Company has access to available transportation capacity on interconnected pipelines; (3) the Company's existing distribution system has capacity, in excess of its existing requirements for firm gas service, adequate for the service requested by Customer. Customers served under this schedule must have previously been served under one of the Company's transportation schedules.

APPLICABLE:

To interruptible gas service for any purpose subject to provisions of a service agreement for a term of one year or longer. All such service used on the premises shall be supplied at one point of delivery and metering.

MONTHLY RATE:

First	10,000 therms	67.633¢ per therm	(I)
Next	15,000 therms	63.559¢ per therm	(I)
Next	25,000 therms	62.559¢ per therm	(I)
All over	50,000 therms	62.359¢ per therm	(I)

ANNUAL MINIMUM:

Each Customer shall be subject to an Annual Minimum Deficiency Charge if their gas usage during the prior year did not equal or exceed 250,000 therms. Such Annual Minimum Deficiency Charge shall be determined by subtracting the Customer's actual usage for the twelve-month period ending each August from 250,000 therms multiplied by 17¢ per therm. (I)

SPECIAL TERMS AND CONDITIONS:

1. Service under this schedule shall be subject to interruption at such times and in such amounts as, in the Company's judgment, interruption is necessary. The Company will not be liable for damages occasioned by interruption of service supplied under this schedule.

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 146

TRANSPORTATION SERVICE FOR CUSTOMER-OWNED GAS - WASHINGTON

AVAILABLE:

To Commercial and Industrial Customers in the State of Washington whose requirements exceed 250,000 therms of gas per year provided that the Company's existing distribution system has capacity adequate for the service requested by Customer.

APPLICABLE:

To transportation service for a Customer-owned supply of natural gas. Service shall be supplied at one point of delivery and metering for use by a single customer.

MONTHLY RATE:

$200.00 Customer Charge, plus

First 20,000 therms	7.916¢ per therm	(I)
Next 30,000 therms	7.069¢ per therm	(I)
Next 250,000 therms	6.395¢ per therm	(I)
Next 200,000 therms	5.932¢ per therm	(I)
All over 500,000 therms	4.515¢ per therm	(I)

ANNUAL MINIMUM:

Each Customer shall be subject to an Annual Minimum Deficiency Charge if their gas usage during the prior year did not equal or exceed 250,000 therms. Such Annual Minimum Deficiency Charge shall be determined by subtracting the Customer's actual usage for the twelve-month period ending each August from 250,000 therms multiplied by 7.069¢ per therm. (I)

SPECIAL TERMS AND CONDITIONS:

1. Service hereunder shall be provided subject to execution of a contract between the Customer and the Company for a term of not less than one year. The contract shall also specify the maximum daily volume of gas to be transported.

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 156

PURCHASE GAS COST ADJUSTMENT - WASHINGTON

APPLICABLE:

To Customers in the State of Washington where the Company has natural gas service available.

PURPOSE:

To pass through increases or decreases in natural gas costs to become effective as noted below. Additional gas cost changes are also shown on Schedule 150. The rate (N) adjustments shown on this Schedule and Schedule 150 must be added together to (N) determine the net gas cost change. (N)

RATE:

(a) The rates of gas Schedule 101 is to be increased by 0.000¢ per therm in all blocks of these rate schedules. (R)

(b) The rates of gas Schedules 111 and 112 are to be increased by 0.000¢ per therm in all blocks. (R)

(c) The rates of gas Schedules 121 and 122 are to be increased by 0.000¢ per therm in all blocks. (R)

(d) The rates of interruptible Schedules 131 and 132 are to be increased by 0.000¢ per therm in all blocks. (R)

(e) The rates of transportation Schedule 146 are to be increased by 0.000¢ per therm in all blocks. (R)

WEIGHTED AVERAGE GAS COST:

The above rate changes are based on the following weighted average cost of gas as of the effective date shown below:

	Demand	Commodity	Total	
Schedule 101	0.000¢	00.000¢	00.000¢	(R)
Schedule 111 & 112	0.000¢	00.000¢	00.000¢	
Schedule 121/122	0.000¢	00.000¢	00.000¢	
Schedule 131/132	0.000¢	00.000¢	00.000¢	
Schedule 146	0.000¢	00.000¢	00.000¢	(R)

SPECIAL TERMS AND CONDITIONS:

The rates named herein are subject to increases as set forth in Tax Adjustment Schedule 158.

Issued August 20, 2003 Effective September 20, 2003

Issued by Avista Corporation
By Kelly Norwood Kelly Norwood , Vice-President, Rates & Regulation

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. __________

EXHIBIT NO. ______ (BJH-2)

SECTION 3 – SUPPLEMENTAL RATE SPREAD & RATE DESIGN INFORMATION

BRIAN J. HIRSCHKORN

REPRESENTING AVISTA CORPORATION

Avista Corp.
Proposed Revenue Increase by Schedule
State of Washington - Gas
12 Months Ended December 31, 2003
(000s of Dollars)

Line No.	Type of Service	Schedule Number	Revenue Under Present Rates	Increase (Decrease)	Revenue Under Proposed Rates	Therms (000s)	Increase (Decrease) Per Therm	**Percent Increase**
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	**(h)**
1	General Service	101	$95,790	$6,784	$102,574	119,088	5.70¢	**7.1%**
2	Large General Service	111	$34,745	$1,270	$36,015	50,591	2.51¢	**3.7%**
3	Large General Service - High Annual Load Factor	121	$5,274	$230	$5,504	8,293	2.77¢	**4.4%**
4	Interruptible Service	131	$621	$18	$639	998	1.80¢	**2.9%**
5	Transportation Service	146	$1,081	$333	$1,414	19,805	1.68¢	**30.8% (1)**
6	High Volume Transportation Service	148	$1,543	$0	$1,543	34,141	0.00¢	**0.0%**
7	Total		$139,054	$8,635	$147,689	232,916	3.71¢	**6.2%**

(1) Proposed increase including delivered gas cost of $5.00/decatherm is 3.0%.

Avista Corp.
Rates of Return by Schedule
State of Washington - Gas
12 Months Ended December 31, 2003

Line No.	Schedule	Schedule No.	Pro Forma Revenue At Present Rates: Rate of Return	Pro Forma Revenue At Present Rates: Relative Rate of Return	Pro Forma Revenue At Proposed Rates: Rate of Return	Pro Forma Revenue At Proposed Rates: Relative Rate of Return
	(a)	(b)	(c)	(d)	(e)	(f)
1	General Service	101	5.58%	0.96	9.75%	0.99
2	Large General Service	111	7.41%	1.29	10.75%	1.09
3	Large General Service - High Annual Load Factor	121	3.59%	0.62	8.54%	0.87
4	Interruptible Service	131	5.20%	0.90	9.55%	0.97
5	Transportation Service	146	3.00%	0.52	8.28%	0.84
6	Total		5.79%	1.00	9.86%	1.00

AVISTA UTILITIES
WASHINGTON - GAS
COMPARISON OF PRESENT & PROPOSED GAS RATES

General Service Schedule 101		
Present Rates(1)	**Increase**	**Proposed Rates(1)**
(a)	(b)	(c)
$5.00 Basic Charge	$0.50/month	$5.50 Basic Charge
All Therms - 74.060¢/Therm	5.059¢/Therm	All Therms - 79.119¢/Therm

Large General Service Schedule 111		
Present Rates(1)	**Increase**	**Proposed Rates(1)**
1st 200 Therms - 76.554¢/Therm*	5.310¢/Therm	1st 200 Therms - 81.864¢/Therm*
Next 800 Therms - 71.554¢/Therm	2.130¢/Therm	Next 800 Therms - 73.684¢/Therm
Over 1,000 Therms - 65.001¢/Therm	2.130¢/Therm	Over 1,000 Therms - 67.131¢/Therm
*Minimum - $123.62/Month plus 14.744¢/Therm	$10.62/month	*Minimum - $134.24/Month plus 14.744¢/Therm

Large General Service Schedule 121		
Present Rates(1)	**Increase**	**Proposed Rates(1)**
1st 500 Therms - 75.045¢/Therm*	5.160¢/Therm	1st 500 Therms - 80.205¢/Therm*
Next 500 Therms - 71.543¢/Therm	2.141¢/Therm	Next 500 Therms - 73.684¢/Therm
Next 9,000 Therms - 64.990¢/Therm	2.141¢/Therm	Next 9,000 Therms - 67.131¢/Therm
Next 15,000 Therms - 61.943¢/Therm	3.180¢/Therm	Next 15,000 Therms - 65.123¢/Therm
Over 25,000 Therms - 60.963¢/Therm	3.180¢/Therm	Over 25,000 Therms - 64.143¢/Therm
*Minimum - $301.56/Month plus 14.733¢/Therm	$25.80/month	*Minimum - $327.36/Month plus 14.733¢/Therm

Interruptible Service Schedule 131		
Present Rates(1)	**Increase**	**Proposed Rates(1)**
1st 10,000 Therms - 65.783¢/Therm	1.850¢/Therm	1st 10,000 Therms - 67.633¢/Therm
Next 15,000 Therms - 61.709¢/Therm	1.850¢/Therm	Next 15,000 Therms - 63.559¢/Therm
Next 25,000 Therms - 60.709¢/Therm	1.850¢/Therm	Next 25,000 Therms - 62.559¢/Therm
Over 50,000 Therms - 60.509¢/Therm	1.850¢/Therm	Over 50,000 Therms - 62.359¢/Therm

Transportation Service Schedule 146		
Present Rates(1)	**Increase**	**Proposed Rates(1)**
$200.00 Basic Charge	no change	$200.00 Basic Charge
1st 20,000 Therms - 5.980¢/Therm	1.936¢/Therm	1st 20,000 Therms - 7.916¢/Therm
Next 30,000 Therms - 5.340¢/Therm	1.729¢/Therm	Next 30,000 Therms - 7.069¢/Therm
Next 250,000 Therms - 4.831¢/Therm	1.564¢/Therm	Next 250,000 Therms - 6.395¢/Therm
Next 200,000 Therms - 4.481¢/Therm	1.451¢/Therm	Next 200,000 Therms - 5.932¢/Therm
Over 500,000 Therms - 3.411¢/Therm	1.104¢/Therm	Over 500,000 Therms - 4.515¢/Therm

(1) Rates include Purchase Gas Adjustment Schedule 150 / Excludes all other rate adjustments

AVISTA UTILITIES
ESTIMATED MONTHLY COST FOR SERVICES, METERS, METER READING & BILLING
GAS SERVICE SCHEDULE 101 - WASHINGTON
12 MONTHS ENDED 12/31/03

Line No.		Total Costs(1)	Average Customers	Cost per Customer	Monthly Cost per Customer
	(a)	(b)	(c)	(d)	(e)
1	Services	$8,984,177	126,558	$70.99	$5.92
2	Meters	$2,778,632	126,558	$21.96	$1.83
3	Meter Reading	$1,051,316	126,558	$8.31	$0.69
4	Billing	$2,602,673	126,558	$20.57	$1.71
5	Total	$15,416,798		$121.82	$10.15

(1) From cost of service study.