

Avista Corp.

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September 15, 2010

Mr. David Danner, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive, S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Tariff WN U-28, Electric Service
Residential and Small Farm Energy Rate Adjustment Credit

Dear Mr. Danner:

Attached for filing with the Commission is one copy of the following tariff sheet proposed to be effective November 1, 2010:

Tenth Revision Sheet 59 Canceling Ninth Revision Sheet 59

The proposed tariff sheet reflects a rate adjustment related to lower residential exchange program benefits than are reflected in the current rate credit. The current 0.298¢ per kilowatt-hour rate credit, to pass through residential exchange program benefits, was approved effective August 1, 2009. That rate credit resulted from a Settlement Agreement with the Bonneville Power Administration (BPA) and was based on two years of assumed payments from BPA for their 2009 and 2010 fiscal years, as well as an amount from the settlement of the outstanding Deemer Account. The current rate credit was designed to pass through the total of those benefits, net of an over-refunded balance, over a period of fifteen months, August 1, 2009 through October 31, 2010. The refund period of fifteen months resulted from the Settlement Agreement being executed towards the end of BPA's 2009 fiscal year, and a requirement from BPA that governs the timing of the pass-through of benefits.

The proposed rate credit of 0.156¢ per kilowatt-hour is designed to pass through the amount of expected benefits from BPA for their 2011 fiscal year over a refund period of twelve months, November 1, 2010 through October 31, 2011. Enclosed is a set of workpapers that shows the derivation of the proposed 0.156¢ per kilowatt-hour rate credit proposed to be effective November 1, 2010. The proposed rate credit of 0.156¢ is 0.142¢ less than the existing rate credit of 0.298¢, which the new credit will replace. For a customer using 1,000 kilowatt-hours per month, implementing the new, lower rate credit would result in a monthly increase of \$1.42, or 1.97%. The actual increase will vary based on customer usage.

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The proposed rate credit will have no effect on Avista's net income. The proposed rate credit would result in an increase to Washington electric revenue of approximately \$3.6 million, since a lesser amount of benefits will be passed through to customers. In addition to the proposed tariff and workpapers, also enclosed are the following items: 1) an affidavit, 2) a certificate of service, 3) a copy of the customer notice, and 4) a press release. Please direct any questions regarding this filing to Ron McKenzie at (509) 495-4320.

Sincerely,

A handwritten signature in cursive script that reads "Kelly Norwood".

Kelly Norwood
Vice President State and Federal Regulation

RM
Enclosures

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served Avista Corporation's residential and small farm energy rate adjustment tariff filing, via overnight mail, to the following:

Sally Johnston
Senior Assistant Attorney General
PO Box 40128
1400 S. Evergreen Park Dr. SW
Olympia, WA 98504-0128

Mary Kimball
Office of the Attorney General
Public Counsel Section
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188

Dated at Spokane, Washington this 15th day of September 2010.



Patty Olsness
Rates Coordinator

**Important Notice for Washington Electric
Residential and Small Farm Customers
September 2010**

On September 15, 2010, Avista filed a request with the Washington Utilities and Transportation Commission (Commission) to reduce a rate credit to qualifying residential and small farm customers to be effective November 1, 2010. The credit results from a residential exchange program aimed at giving electric customers a share of benefits from federal hydroelectric projects located in the Northwest supplied by the Bonneville Power Administration (BPA).

The proposed rate credit of 0.156¢ per kilowatt-hour is a reduction from the existing credit of 0.298¢ per kilowatt-hour, which the new rate credit will replace. The proposed credit of 0.156¢ is designed to pass through the expected level of benefits to be received from BPA during the period November 1, 2010 through October 31, 2011.

The proposed rate credit of 0.156¢ per kilowatt-hour would apply to residential and small farm customers served under Schedules 1, 12, 22, 32, and 48. For a residential customer using 1,000 kilowatt-hours per month, the reduction in the credit would result in an increase of \$1.42 per month, or about 1.97%.

The Company's request is a proposal, subject to public review and a Commission decision. You may contact the UTC at the following address: WUTC, 1300 S. Evergreen Park Drive S.W., P.O. Box 47250, Olympia, WA 98504-7250; or by e-mail at: comments@utc.wa.gov. A copy of the application is available for public review at the offices of the Commission and the Company, as well as on our website at www.avistautilities.com under "Energy Prices," "Rates and Tariffs."



Contact:

Media: Debbie Simock (509) 495-8031, debbie.simock@avistacorp.com

Investors: Jason Lang (509) 495-2930, jason.lang@avistacorp.com

Avista 24/7 Media Access (509) 495-4174

Natural Gas Prices for Avista's Washington and Idaho Customers Could Increase with Annual Purchased Gas Cost Adjustment

Reduced benefits from BPA program causing electric increase of about \$2 a month for residential and small farm customers in Washington and Idaho

SPOKANE, Wash. – Sept. 15, 2010, 1:05 p.m. PDT: Natural gas prices for Avista's (NYSE:AVA) Washington and Idaho customers, which decreased by about 30 percent in 2009, could increase by an overall 4.6 percent in Washington and 4.3 percent in Idaho if the utility commissions in both states approve the company's annual Purchased Gas Cost Adjustment (PGA) tariffs that were filed today. PGAs are filed each year to true-up the cost of wholesale natural gas purchased by Avista to serve customers with the amount included in rates.

The requested increases are due to the reduction in the refund currently being provided to customers related to wholesale natural gas costs in Avista's 2009 PGAs. Abundant supplies of natural gas combined with softening demand have kept wholesale natural gas prices at lower levels over the past year, which have helped to partially offset the effects of the reduction in the 2009 refund. If approved, natural gas rates for Avista's customers in both Washington and Idaho would be at similar levels to those in 2004.

If approved by the respective state utility commissions, new rates would become effective Nov. 1, 2010, and annual natural gas revenues would increase by approximately \$3.6 million in Washington and by \$1.7 million in Idaho. Avista does not mark up the cost of natural gas purchased to meet customer needs, so there is no impact on company earnings. Avista serves over 146,000 natural gas customers in Washington and 74,000 in Idaho.

If the PGA request is approved by the Washington Utilities and Transportation Commission (WUTC), a residential customer using an average 69 therms a month could expect their bill to increase by \$2.97, or 5.0 percent, for a revised monthly bill of \$63.00. Commercial customers could expect increases of 5.7 percent for general service schedule 111 and 4.8 percent for large general service schedule 21, and 3.6 percent for interruptible sales service schedule 131.

An Idaho residential customer using an average 63 therms a month could expect their bill to increase by \$2.75, or 4.9 percent, for a revised monthly bill of \$58.78, if the PGA tariff is approved by the Idaho Public Utilities Commission (IPUC). Commercial customers could expect increases 6.1 percent for large general service schedule 111 and 0.9 percent for interruptible sales service schedule 131.

Even though wholesale natural gas prices have been lower for the past two years, market prices continue to fluctuate. To help provide greater price stability for customers and to allow for flexibility based on changing market conditions, Avista follows a diversified natural gas purchasing plan which includes underground storage and forward and daily purchases.

The direct cost of wholesale natural gas makes up about 65 percent of an Avista customer's bill, and these costs fluctuate up and down based on market prices. The remaining 35 percent covers the cost of delivering the natural gas – the equipment and people needed to provide safe and reliable delivery of service.

Residential Exchange Credit

A reduction in the benefits Avista customers receive under the Bonneville Power Administration's (BPA) Residential Exchange Program has resulted in additional filings today to increase rates for residential and small farm customers in both states by less than 2 percent.

The Residential Exchange Program provides a share of the benefits of the federal Columbia River power system to the customer of the six investor-owned utilities in the Pacific Northwest. Avista applies the benefits it receives, which usually fluctuate annually, to customers as a credit on their monthly electric bill.

If the requests are approved by the respective utility commissions, residential and small-farm customers in both states using an average of 1,000 kilowatt-hours a month would see a \$1.42 increase - 1.97 percent in Washington and 1.65 percent in Idaho - in their monthly electric bill, effective Nov. 1. Revenues would increase in Washington by approximately \$3.6 million and by \$1.7 million in Idaho because of the reduced benefits Avista is receiving under the Residential Exchange Program; however, there is no impact on Avista's earnings.

To help customers proactively manage their energy use, Avista offers a number of energy efficiency programs, including rebates and incentives. Visit www.everylittlebit.com for information on the programs which helped customers save enough energy in 2009 to power over 6,800 Inland Northwest homes for a year and to serve over 3,000 homes with natural gas for a year.

Information on energy assistance programs and payment options offered by Avista to help qualifying customers is available at www.avistautilities.com.

Avista's PGA and Residential Exchange filings are requests, subject to public review and a decision by the respective state utility commission. A copy of each request is available for public review at the offices and websites of Avista and the respective utility commission. Customers may submit comments on the proposed rate changes or review the requests by going to www.puc.idaho.gov for Idaho and www.utc.wa.gov for Washington.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is our operating division that provides electric service to 355,000 customers and natural gas to 315,000 customers. Our service territory covers 30,000 square miles in eastern Washington, northern Idaho and parts of southern and eastern Oregon, with a population of 1.5 million. Avista's primary, non-regulated subsidiary is Advantage IQ. Our stock is traded under the ticker symbol "AVA." For more information about Avista, please visit www.avistacorp.com.

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This news release contains forward-looking statements regarding the company's current expectations. Forward-looking statements are all statements other than historical facts. Such statements speak only as of the date of the news release and are subject to a variety of risks

and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all of the factors discussed in the company's Annual Report on Form 10-K for the year ended Dec. 31, 2009, and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.

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To unsubscribe from Avista's news release distribution, send a reply message to shirley.wolf@avistacorp.com