

Avista Corp.
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September 15, 2010

State of Washington
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive
Olympia, Washington 98504-8002

Attention: Mr. David Danner, Executive Director and Secretary

RE: WN U-29 – Natural Gas Service
Avista's Annual Purchased Gas Adjustment (PGA)

Enclosed for filing with the Commission is a copy of the following proposed tariff sheets:

Thirteenth Revision Sheet 155 canceling Substitute Twelfth Revision Sheet 155
Ninth Revision Sheet 150 canceling Substitute Eighth Revision Sheet 150

The Company requests that the proposed tariff sheets be made effective on November 1, 2010.

This filing reflects the Company's proposed annual Purchased Gas Cost Adjustment (PGA) to: 1) pass through changes in the estimated cost of natural gas for the forthcoming year (Schedule 150), and 2) revise the amortization rate(s) to refund or collect the balance of deferred gas costs (Schedule 155). Below is a table summarizing the proposed changes reflected in this filing.

<u>Service</u>	<u>Sch No</u>	<u>Commodity Change per therm</u>	<u>Demand Change per thm</u>	<u>Total Change Sch. 150</u>	<u>Sch. 155 Amort. per therm</u>	<u>Total Rate Change per therm</u>	<u>Percent Change</u>
General	101	(\$0.03107)	\$0.00810	(\$0.02297)	\$0.06600	\$0.04303	5.0%
Large General	111	(\$0.03107)	\$0.00790	(\$0.02317)	\$0.06378	\$0.04061	5.7%
Ex. Large General	121	(\$0.03107)	\$0.00744	(\$0.02363)	\$0.05575	\$0.03212	4.8%
Interruptible	131	(\$0.03107)	\$0.00639	(\$0.02468)	\$0.04574	\$0.02106	3.6%

Commodity Costs

As shown in the table above, the estimated commodity cost (WACOG) change is a *decrease* of 3.1 cents per therm. The proposed WACOG is 48.0 cents per therm compared to the present WACOG

of 51.1 cents per therm included in rates. Daily wholesale natural gas prices have been higher this year than last year. For example, in 2009, daily cash prices at AECO averaged \$2.82 per dekatherm. In 2010 thus far, the average price increased to \$3.74 per dekatherm, approximately a 33 percent increase. This impacted the cost of purchased natural gas for storage pricing. However, prices in the forward markets have been lower this year than what is currently embedded in rates. This decrease more than offset the increase in storage prices, leading to the drop in the proposed WACOG.

Avista has been hedging gas on both a periodic and discretionary basis throughout 2010 for the forthcoming PGA year. Approximately 70% of estimated annual load requirements for the PGA year (November 2010 through October 2011) will be hedged at a fixed price, comprised of: 1) 41% of volumes hedged for a term of one year or less, 2) 19% of volumes from prior multi-year hedges, and 3) 11% of volumes from underground storage. Through August, most of the planned hedge volumes for the PGA year have been executed at a weighted average price of \$5.42 per dekatherm (\$0.542 per therm).

The Company used a 30-day historical average of forward prices (ending September 8) by supply basin to develop an estimated cost associated with index/spot purchases. The estimated monthly volumes to be purchased by basin are multiplied by the (30-day) average price for the corresponding month and basin. These index/spot volumes represent approximately 29% of estimated annual load requirements for the coming year and the annual weighted average price for these volumes is \$3.99 per dekatherm (\$0.399 per therm).

Available underground storage capacity at Jackson Prairie represents approximately 11% of annual load requirements (20% of load requirements during the December through March withdrawal period). The estimated weighted average cost for all storage volumes is \$3.63 per dekatherm. The Company also utilizes (optimizes) its underground storage capacity to provide additional benefits to customers beyond the winter/summer price differential and supply reliability.

The Company's natural gas procurement plan uses a diversified approach to procure gas for the coming year. While the plan generally incorporates a structured approach for the hedging portion of the portfolio, the Company exercises flexibility and discretion in all areas of the plan based on changes in the wholesale market. The Company typically meets with the Commission Staff quarterly to discuss the state of the wholesale market and the status of the Company's procurement plan. In addition, the Company communicates with Staff when it believes it makes sense to deviate from its procurement plan and/or opportunities arise in the market.

Demand Costs

The Demand Costs shown in the table above primarily represents the cost of pipeline transportation to the Company's system. As shown in the table above, there is a slight increase which is due to a change in tariffs on the TransCanada (Alberta) and TransCanada (BC) pipelines.

Schedule 155 / Amortization Rate Change

As shown in the table above, the proposed change in the amortization rates are an increase between 4.5 and 6.6 cents per therm. This increase is a result of the large one-year refund amortization rate from the 2009 PGA being replaced by a smaller one-year amortization rate. Included in the proposed refund rate is a substantial deferral balance that the Company was recovering over the past year through Schedule 155 that was not fully refunded to customers as natural gas loads for the winter 2009/2010 were softer than projected. As such, the proposed amortization rate still has some level of previous deferrals, with the indirect benefit of keeping the proposed rate change lower for customers.


Other Information

The annual revenue change reflected in this filing is an increase of \$6.7 million, or an increase in annual gas revenue of 4.6%. The average residential or small commercial customer using 69 therms per month will see an increase of \$2.97 per month, or approximately 5.0%. The present bill for 69 therms is \$60.03 while the proposed bill is \$63.00.

Also enclosed are the workpapers supporting the proposed rate changes and a media release which will be issued coincident with this filing. The Company will also send a bill insert to customers regarding the proposed increase prior to November 1.

If you have any questions regarding this filing, please call Craig Bertholf at 509-495-4124 or Patrick Ehrbar at 509-495-8620.

Sincerely,


Kelly O. Norwood, Vice President
State & Federal Regulation

Enclosures

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served Avista Corporation's Tariff WUTC WN-U-29 Natural Gas Service by mailing a copy thereof, postage prepaid to the following:

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

Paula Pyron
Northwest Industrial Gas Users
4113 Wolfberry Court
Lake Oswego, OR 97035-1827

Washington Utilities & Transportation Commission
David W. Danner, Executive Director and Secretary
1300 Evergreen Park Dr. SW
Olympia, WA 98504
Sent via the UTC Web Portal

Mr. Simon ffitch
Office of the Attorney General
800 Fifth Avenue, Suite 2000
Seattle, WA 98164

Spokane County
Ron Oscarson, Director of Facilities
1211 W. Gardner Avenue
Spokane, WA 99260-0060

SCC and SFCC-Purchasing
2000 N Greene Street
Spokane, WA 99207

Gonzaga University
PO Box 3464
Spokane, WA 99220

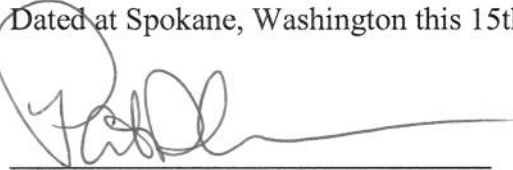
Washington Department of Corrections
PO Box 1899
Airway Heights, WA 99001

Franz Bakery
Attn: Jim Groenenthal
110 N. Fancher
Spokane, WA 99212

St. Lukes
Attn: Accounts Payable
PO Box 469
Spokane, WA 99210

Quarry Tile
6328 East Utah
Spokane Valley, WA 99212

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



Patrick Ehrbar
Manager, Rates & Tariffs

AVISTA UTILITIES

2010 Washington PGA Filing

EXHIBIT “A”

Media Notice & Customer Notice

September 15, 2010



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.

Avista Corp. and the Avista Corp. logo are trademarks of Avista Corporation.

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

Important Notice for Washington Natural Gas Customers

September 2010

On September 15th, Avista filed a purchased gas adjustment (PGA) with the Washington Utilities and Transportation Commission (UTC) to be effective Nov. 1, 2010. The request is for an overall increase of \$6.7 million or 4.6%. The annual PGA filing passes through changes in the cost of natural gas the Company acquires to serve customers, and it does not increase Company earnings.

The proposed increase is caused by the elimination of a present refund used to pass through gas cost savings from prior years. The wholesale price for natural gas fluctuates as a result of many factors, similar to the price for crude oil. Because of the unpredictable nature of wholesale prices, Avista pre-purchases about two-thirds of the gas needed to meet customer demand for the coming winter. To help provide greater price stability for customers and to allow for flexibility based on market conditions, Avista also follows a diversified gas purchasing plan which includes underground storage and daily purchases.

Earlier in August, Avista filed a separate gas rate adjustment with the UTC, requesting to decrease natural gas rates for residential and small commercial customers by 0.01%. This rate adjustment is related to a program that allows Avista to recover a portion of its fixed costs not recovered as a result of lower gas usage by customers. The recovery of these fixed costs allows Avista to increase focus on energy efficiency programs and services for customers.

If the two proposed changes are approved by the UTC, a residential or small commercial customer using an average of 69 therms per month can expect to see an increase of \$2.96 per month, or about 5.0 percent. The bill for 69 therms would increase from a present amount of \$60.03 to \$62.99.

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.

Avista offers a number of programs and services to help customers manage their energy use and costs. Visit us at avistautilities.com for more information.

(see over)

AVISTA UTILITIES

2010 Washington PGA Filing

EXHIBIT “B”

Notice of Public Applicant’s Proposed Tariffs

September 15, 2010

AVISTA UTILITIES
NOTICE OF TARIFF CHANGE
(Gas Service Only)

Notice is given that the "Sheets" listed below of Tariff WN U-29, covering natural gas service have been filed with the Washington Utilities & Transportation Commission at Olympia, Washington.

Ninth Revision Sheet 150 canceling Substitute Eight Revision Sheet 150 and,
Thirteenth Revision Sheet 155 canceling Substitute Twelfth Revision Sheet 155

The effect of the proposed change is an estimated *increase* to annual revenue of approximately \$6.7 million or about 4.6%.

This filing is a Purchased Gas Cost adjustment (PGA) filing to pass through changes in the estimated cost of natural gas for the forthcoming year and to revise the amortization rate(s) to refund or collect previous gas cost differences accumulated over the previous year.

This filing will have no effect on the annual net income of the Company.

If approved as filed customers will see the following rate changes:

		Rate Change Per Therm Increase <Decrease>	Estimated Monthly Percentage Increase <Decrease>
Schedule 101	Residential	\$0.04303	5.0%
Schedule 111	Large General Service	\$0.04061	5.7%
Schedule 121	Large General Service	\$0.03212	4.8%
Schedule 131	Interruptible Service	\$0.02106	3.6%
Schedule 146	Transportation	\$0.00000	0.0%

The average residential customer using 69 therms per month will see an estimated monthly *increase* from \$60.03 to \$63.00 or approximately \$2.97. The actual *increase* will vary based on customer usage.

The Company is requesting that the Washington Utilities and Transportation Commission approve the company's filing effective November 1, 2010. A copy of the proposed tariff changes is available for review in the Spokane business office or can be obtained by calling (509) 495-4067 or writing:

Avista Utilities
Attention: Ms. Patty Olsness
P.O. Box 3727
Spokane, WA. 99220

September 15, 2010