

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 159

NATURAL GAS DECOUPLING RATE ADJUSTMENT

PURPOSE:

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

APPLICABLE:

To Natural Gas Customers served under General Service Schedule 101.

MONTHLY RATE:

\$0.00257 per therm

The monthly rate set forth above reflects the recovery of 80% of the lost margin realized by the Company from January 2007 through June 2007 for Schedule 101, as described in more detail below. This lost margin results from lower customer usage due to the implementation of natural gas conservation measures.

SPECIAL TERMS AND CONDITIONS:

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

Monthly Revenue Deferral Calculation

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

- (1) The difference in weather-corrected therm sales for the current month (Current Therm Sales) and the weather-corrected therm sales for the corresponding month (June to June) of 2006 (Base Therm Sales) will be calculated for Schedule 101. The usage for new customers added since 2006 will first be subtracted from Current Therm Sales. Base Therm Sales is then subtracted from Current Therm Sales. (C)
- (2) The difference in usage determined in (1) will be multiplied by \$0.21748. This rate represents the margin (rate less gas costs) under Schedule 101. (C)
- (3) If the result calculated in (2) above is a negative amount, 90% of that amount will be recorded as a debit to the deferred revenue account, representing a potential surcharge. If the result is a positive amount, 90% of that amount will be recorded as a credit to the deferred revenue account, representing a potential rebate. (I)

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By Kelly Norwood

Vice President, State & Federal Regulation

