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April 18, 2003

Carole Washburn, Executive Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Docket No. UG-021584 – Natural Gas Benchmark Mechanism

Dear Ms. Washburn:

Enclosed for filing with the Commission are fourteen copies of the Company's prepared direct testimony and exhibits in the above-cited case. This testimony is in support of Avista Corporation's (dba Avista Utilities) proposed tariff revisions to modify and extend its "Natural Gas Benchmark Mechanism" (Benchmark Mechanism). The Benchmark Mechanism establishes the natural gas costs for the Purchased Gas Adjustment deferral purposes.

The operation of the proposed tariff revisions was suspended on January 29, 2003 by order of the Commission pending hearings. To accommodate the Company and the hearing process in this docket, the Commission permitted Avista to change the expiration date on the existing Benchmark Mechanism tariff from March 31, 2003 to January 29, 2004.

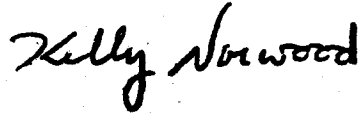
Accordingly, Avista's current Benchmark Mechanism remains in effect during the pendency of these hearings. Avista has submitted, as a preferred alternative, further revisions to the Benchmark Mechanism in response to concerns expressed by the Commission Staff at the time this matter was set for hearing. These further revisions are reflected in the proposed revisions to Tariff Schedule 163, as sponsored by Avista witness Brian Hirschorn. While approval by the Commission of either the tariffs suspended on January 29, 2003 or the tariff revisions submitted with this April 21, 2003 filing is acceptable to the Company, Avista has submitted the April 21, 2003 tariff revisions as the preferred alternative, in that these revisions directly address the recent concerns raised by Staff.

Supporting workpapers and an electronic version of the filing will be provided under separate cover letters. A copy of this testimony has been provided to Public Counsel.

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Questions regarding this filing should be directed to Liz Andrews at (509) 495-8601.

Sincerely,

A handwritten signature in black ink that reads "Kelly Norwood". The signature is written in a cursive, flowing style.

Kelly Norwood
Vice President-Rates and Regulation

Enclosures

c: Attached service list

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served Avista Corporation's Natural Gas Benchmark Mechanism, by mailing a copy thereof, postage prepaid to the following:

Carole Washburn
Executive Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250


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Vice President, Rates & Regulation
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Dated at Spokane, Washington this 18th day of April 2003.


Patty Olness
Rates Coordinator