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October 13, 2011

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 Proposed Natural Gas Decoupling Rate Adjustment**

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

**Supplemental Seventh Revision Sheet 159 canceling Sixth Revision Sheet 159**

As the Company discussed with Staff, the purpose of this update filing is to include the effects of prior period surcharge rollover balance of \$62,853 which was not included in the original filing.

The decoupling rate adjustment is proposed to become effective November 1, 2011 simultaneous with the Company's annual PGA rate change. If you have any questions regarding this filing, please call me at 509-495-8620.

Sincerely,

A handwritten signature in black ink that reads "Patrick Ehrbar". The signature is written in a cursive, slightly slanted style.

Patrick Ehrbar  
Manager, Rates & Tariffs

Enc.

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the Avista Natural Gas Decoupling Rate Adjustment Updated filing upon the parties listed below by mailing a copy thereof, postage prepaid.

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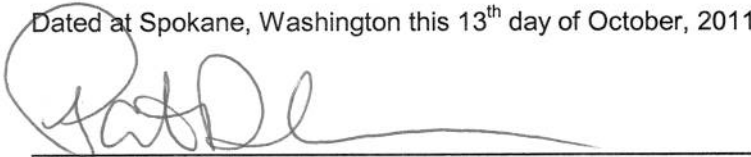
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I declare under penalty of perjury that the foregoing is true and correct.

Dated at Spokane, Washington this 13<sup>th</sup> day of October, 2011.



Patrick Ehrbar  
State & Federal Regulation

**EXHIBIT 2**

**CALCULATION OF PROPOSED DECOUPLING SURCHARGE RATE**

**EFFECTIVE NOVEMBER 1, 2011**

**UPDATED OCTOBER 13, 2011**

**Avista Utilities**  
**Calculation of Decoupling Surcharge/Amortization Rate**  
**Effective November 1, 2011 - October 1, 2012**

	Unamortized <u>Balance(1)</u>	<u>Interest(2)</u>	Forecast <u>Sch. 101 Use</u>
	\$ 0.00224	3.25%(3)	
November	<b>\$268,626</b>		14,430,759
December	\$236,298	\$684	21,088,625
January	\$189,054	\$576	20,840,464
February	\$142,366	\$449	15,953,206
March	\$106,627	\$337	13,556,444
April	\$76,257	\$248	8,928,611
May	\$56,255	\$179	5,150,776
June	\$44,716	\$137	3,295,532
July	\$37,333	\$111	2,570,280
August	\$31,575	\$93	2,676,994
September	\$25,578	\$77	3,486,866
October	\$17,767	\$59	<u>7,930,709</u>
November	\$0	\$24	
Total		\$2,974	119,909,266
Incremental Rate to Recover Est. Interest		<b>\$0.00002</b>	
Est. Rate to Recover Deferral Balance		<b><u>\$0.00224</u></b>	
Rate before Gross-up for Revenue-related items		<b>\$0.00227</b>	
Times: Gross-up for Revenue-related items(4)		<b><u>1.046023</u></b>	
<b>Proposed decoupling rate</b>		<b>0.00237</b>	

(1) Deferral balance at beginning of the month / Rate of \$0.00224 is rate to recover deferral balance of \$268,626 over 12 months

(2) Interest computed on average balance between beginning and end of month.

(3) FERC rate @ July '11 - changes quarterly (<http://ferc.gov/legal/acct-matts/interest-rates.asp>)

(4) From page 2 of Exh. 2

Current Period Surcharge Balance	\$205,773
Prior Surcharge Rollover Balance	<u>\$62,853</u>
Total Unamortized Balance	\$268,626

**AVISTA UTILITIES**  
**Revenue Conversion Factor**  
**Washington - Gas System**  
**TWELVE MONTHS ENDED December 31, 2010**  
**from Docket No. UG-110877**

<u>Line No.</u>	<u>Description</u>	<u>Factor</u>
1	<b>Revenues</b>	1.000000
	<b>Expense:</b>	
2	Uncollectibles	0.003617
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038381
5	Franchise Fees (City of Millwood Expired in 2004)	0.000000
6	Total Expense	<u>0.043998</u>
7	Net Operating Income Before FIT	0.956002
8	Federal Income Tax @ 35%	0.334601
9	REVENUE CONVERSION FACTOR	<u>0.621401</u>
10	Calculation of Revenue Adjustment Factor 1 ÷ (1 -0.043998)	1.046023