

Substitute Fourth Revision Sheet 159B
Canceling

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AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 159B

NATURAL GAS DECOUPLING RATE ADJUSTMENT

2% Annual Rate Increase Limitation

Following the application of the Earnings and DSM tests described above, the amount of the incremental proposed rate adjustment under this Schedule cannot reflect more than a 2% rate increase. This will be determined by dividing the incremental annual revenue to be collected (proposed surcharge revenue less present surcharge revenue) under this Schedule by the total "normalized" revenue for Schedule 101 for the most recent July – June period. Normalized revenue is determined by multiplying the weather-corrected usage for the period by the present rates in effect. If the incremental amount of the proposed surcharge exceeds 2%, only a 2% incremental rate increase will be proposed and any remaining deferred revenue will be carried over to the following year.

After determining the amount of deferred revenue that can be recovered through a surcharge (or refunded through a rebate), the proposed rate under this Schedule will be determined by dividing the deferred revenue to be recovered by the estimated therms sales for Schedule 101 during the twelve month recovery period. The deferred revenue amount to be recovered will be transferred to a Decoupling Balancing Account and the actual revenue received under this Schedule will be applied to the Account to reduce (amortize) the balance. Interest will be accrued on the unamortized balance in the Decoupling Balancing Account at the quarterly rate published by the FERC.

DSM Target for Annual Rate Adjustment

The DSM Target to be used for the DSM Test in the annual rate adjustment filing is the annual Washington DSM goal for the previous calendar year reflected in the Company's most recent Natural Gas Integrated Resource Plan.

- 2009 DSM Target – 1,581,828 therms (1,043,087 therms from Washington)

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