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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF AVISTA UTILITIES FOR AUTHORITY)	CASE NO. AVU-G-03-1
TO INCREASE ITS RATES FOR NATURAL)	
GAS SERVICE.)	REPLY COMMENTS
_____)	OF THE COMPANY

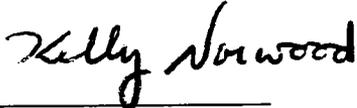
In the Commission Staff's comments, they recommend that the Commission approve no change in the Company's natural gas rates, as compared to the overall increase of 2.4% proposed by the Company. While the Company is sensitive to concerns related to additional increases in prices, the Company believes that Commission approval of the proposed increase of 2.4% is advisable given the most recent projections of natural gas prices. The weighted average cost of gas (WACOG) included in the Company's filing is approximately 45 cents per therm, which was the projected average cost of gas for October 2003 through September 2004 at the time of the filing. As pointed out in Staff comments on page 4, the Company's projected gas cost for this period has risen to approximately 48 cents per therm. The Staff's proposal of no rate increase results in a WACOG of approximately 43 cents per therm, which is significantly less than recent projections. These projected gas costs include all hedges executed to date. If the Company's projected WACOG had fallen since the date of the PGA filing, the Company would probably agree with the Staff that no increase in rates is warranted. However, with the more recent higher projected WACOG and no signs that natural gas prices will

decrease substantially over the coming winter, the Company recommends implementation of the proposed increase.

Implementing the relatively modest increase now may help mitigate a potentially larger increase in the fall of 2004. If the Company's actual WACOG over the next year turns out to be \$4.50 (as filed) or higher, not implementing the proposed 2.4% increase could result in an additional 5% increase in 2004, assuming the WACOG still needs to be \$4.50 or higher in the 2004 PGA filing. This is because the WACOG will have to be increased and the Company will have to recover the additional deferred gas costs for the difference between \$4.50 (Company) and \$4.30 (Staff). The Company's most recent gas cost projections for the winter of 2003-04 exceed \$4.50. Therefore, Staff's proposal of no rate change increases the likelihood of a PGA increase in 2004, and results in approximately a 5% higher increase in 2004 than if the proposed increase in this filing is approved. While Staff addresses the issue of rate volatility and price stability, the Company believes implementing the proposed increase will minimize rate volatility between 2003 and 2004.

Respectfully submitted this 19th day of September 2003.

AVISTA CORPORATION

BY 

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