

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF AVISTA UTILITIES FOR AUTHORITY) CASE NO. AVU-G-08-03
TO CHANGE ITS NATURAL GAS RATES)
AND CHARGES (2008 PURCHASED GAS) NOTICE OF
COST ADJUSTMENT) REVISED APPLICATION
)

On August 18, 2008, Avista Corporation dba Avista Utilities (Avista; Company) filed its annual Purchased Gas Cost Adjustment (PGA) Application with the Commission requesting authority to place new rate schedules in effect as of October 1, 2008 that would increase its annual natural gas revenues by approximately \$11.6 million or about 14.2%. On September 15, 2008, Avista filed a Revised Application reducing its proposed PGA increase to \$3.3 million or about 4.0%. The PGA mechanism is used to adjust rates for the purchase of gas from wholesale suppliers including transportation, storage, and other related costs of acquiring natural gas. Avista's earnings will not be increased as a result of the proposed changes in prices and revenues. Avista serves approximately 72,000 natural gas customers in Idaho.

Initial Notices of Application and Modified Procedure in this case were issued on August 28, 2008. The deadline for filing written comments is September 23, 2008. The Commission has reviewed the Revised Application and finds no need to change the comment deadline.

NOTICE OF REVISED APPLICATION

YOU ARE HEREBY NOTIFIED that Avista states that if the proposed changes in its revised PGA are approved its annual revenue will increase by approximately \$3.3 million or about 4.0%. The average residential or small commercial customer using 65 therms per month will see an estimated increase of \$2.96 per month, or approximately 3.9%. The present bill for 65 therms is \$75.14, while the proposed bill is \$78.10. The actual increase will vary based on customer usage. The proposed effective date of October 1, 2008 for the PGA rates is simultaneous with the proposed effective date of the rates contained in the Settlement Stipulation filed with the Commission on August 7, 2008 in Avista Case Nos. AVU-E/G-08-01.

Since the Company's original filing, Avista states that wholesale prices for natural gas have continued to fall. During this time, the Company has purchased additional natural gas

for the coming year, both for injection into underground storage and at (hedged) forward prices for delivery throughout the year. This revised filing reflects a lower commodity cost for these additional purchases/hedges, as well as lower projected prices for (spot) gas that will be purchased during the forthcoming year. As a result, the proposed weighted average cost of gas (WACOG) reflects an increase 3.102¢ per therm over the WACOG in present rates as compared to an increase of 14.623¢ per therm reflected in the Company’s original filing.

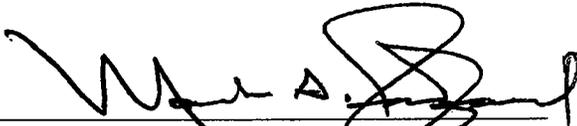
The other rate components (demand and deferral amortization) reflected in the proposed tariff sheets are the same as those reflected in the Company’s original filing – only the WACOG has been revised in the Company’s revised filing. Below is a table summarizing the proposed changes reflected in the Company’s revised filing.

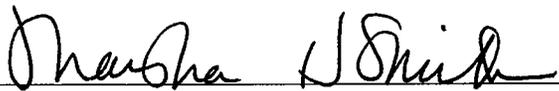
Service	Schedule No.	Commodity Change per therm	Demand Change per therm	Total Sch. 150 Change	Sch. 155 Amort. per therm	Total Rate Change per therm	Percent Change
General	101	\$0.03102	\$0.00777	\$0.03879	\$0.00664	\$0.04543	3.9%
Lg. General	111	\$0.03102	\$0.00777	\$0.03879	\$0.00664	\$0.04543	4.4%
Interruptible	131	\$0.03102	--	\$0.03102	\$0.00664	\$0.03766	3.5%
Transport	146	--	--	--	--	\$0.00000	0.0%

YOU ARE FURTHER NOTIFIED that the Commission has jurisdiction over this matter and Avista Utilities, a public utility, pursuant to the authority and power granted under Title 61 of the Idaho Code and the Commission’s Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

YOU ARE FURTHER NOTIFIED that the original and revised Applications and supporting workpapers and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices and at the Idaho offices of Avista Utilities. The original and revised Applications together with prior Notices issued in this case are available on the Commission’s website at www.puc.idaho.gov under “File Room” and then “Gas Cases.”

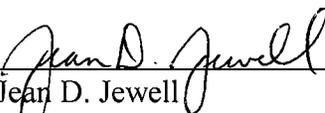
DATED at Boise, Idaho this 17th day of September 2008.


MACK A. REDFORD, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


JIM D. KEMPTON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

bls/N:AVU-G-08-03_sw2