SCHEDULE 461

PURCHASED GAS COST ADJUSTMENT PROVISION – OREGON

APPLICABILITY:

This schedule applies to all schedules for natural gas sales service within the entire territory served by the Company in the State of Oregon. The definitions and provisions described herein shall establish the natural gas costs for Purchased Gas Adjustment (PGA) deferral purposes on a monthly basis.

PURPOSE:

The purpose of this provision is to allow the Company, on established Adjustment Dates, to adjust rate schedules for changes in the cost of gas purchased in accordance with the rate adjustment provisions described herein.

RATE:

(a) The rates of gas Schedules 410, 420, 424 and 444 are to be increased by $0.49573 per therm in all blocks of these rate schedules. (R)
(b) The rate of gas Schedule 440 is to be increased by $0.33928 per therm in all blocks of these rate schedules. (R)
(c) The rates of transportation Schedule 456 are to be increased by $0.0000 per therm in all blocks.

A. DEFINITIONS:

1. Actual Commodity Cost: The natural gas supply costs for commodity actually paid for the month, including Financial Transactions, fuel use, and distribution system lost and unaccounted for natural gas (LUFG) plus Gas Storage Facilities withdrawals, plus or minus the cost of gas associated with pipeline imbalances, plus propane costs, plus odorization charges, less Commodity Off-System Sales Revenues received during the month, plus actual Variable Transportation Costs, plus commodity-related reservation charges, less all transportation demand charges embedded in commodity costs.

2. Commodity Off-System Sales Revenues: Revenues received from the sale of natural gas to a party other than the Company's Oregon sales customers less costs associated with the sales transactions.

3. Variable Transportation Costs: Variable transportation costs, including pipeline volumetric charges and other variable costs related to volumes of commodity delivered to sales customers.

4. Actual Non-Commodity Cost: Actual Non-Commodity gas costs shall be equal to actual Demand Costs, less actual Capacity Release Benefits, plus or minus actual pipeline refunds or surcharges.

5. Demand Costs: Fixed monthly pipeline costs and other demand-related natural gas costs such as capacity reservation charges, plus any transportation demand charges embedded in commodity cost.

Patrick D. Ehrbar

SCHEDULE 461 (continued)

PURCHASED GAS COST ADJUSTMENT PROVISION – OREGON

6. Capacity Release Benefits: This component includes revenues associated with pipeline capacity releases. The benefits to Customers, through the monthly PGA deferrals, shall be 100% of the capacity release revenues up to the full pipeline rate, and 80% of the capacity release revenues in excess of full pipeline rates. Capacity release revenues shall be quantified on a transaction-by-transaction basis.

7. Estimated Weighted Average Cost Of Gas (WACOG): The estimated WACOG is calculated by the following formula: (Forecasted Purchases at Adjusted Contract Prices) divided by forecasted sales.

a. "Forecasted Purchases" means November 1 – October 31 forecasted sales, plus a percentage for "Distribution System Unaccounted for Gas."
b. "Distribution System Unaccounted for Gas" means the 5-year average of actual unaccounted for gas, not to exceed 2%.
c. "Adjusted Contract Prices" means contract prices that are adjusted by each associated Canadian pipeline's published (closest to August 1) fuel-in-kind and line loss amount provided for by tariff, and by each associated U.S. pipeline's tariffed rate.

The Estimated WACOG per therm is as follows:

With Gross Revenue Factor	$0.33928	(R)
Without Gross Revenue Factor	$0.32975	(R)

8. Estimated Non-Commodity Cost per Therm: The estimated Non-Commodity Cost per therm shall be equal to estimated Demand Costs, less estimated Capacity Release Benefits, plus or minus estimated pipeline refunds or surcharges, divided by November 1 – October 31 forecasted sales

The Estimated Non-Commodity Cost per therm is as follows:

With Gross Revenue Factor	$0.15645	(R)
Without Gross Revenue Factor	$0.15206	(R)

9. Forecasted Monthly Calendar Sales Volumes: Forecasted billed sales therms, adjusted for estimated unbilled therms, for Schedules 410, 420, 424, 440, and 444.

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 461 (continued)

PURCHASED GAS COST ADJUSTMENT PROVISION - OREGON

10. Embedded Commodity Cost: The Estimated WACOG multiplied by the Forecasted Monthly Calendar Sales Volumes.

11. Embedded Non-Commodity Cost: The Estimated Non-Commodity Cost per Therm multiplied by the Forecasted Monthly Calendar Sales Volumes less Schedule 440 volumes.

12. Financial Transactions: Cost of Financial Transactions related to gas supply including, but not limited to, hedges, swaps, puts, calls, options and collars that are exercised to provide price stability/control or supply reliability for sales service customers.

13. Gas Storage Facilities: The cost of natural gas for injections shall be the actual cost of purchasing and injecting gas into the Storage Facility. Withdrawals of natural gas shall be valued at the weighted average cost of gas in the facility. Only the cost of natural gas withdrawn from Storage Facilities will be included in the Actual Commodity Cost, as defined herein.

B. CALCULATION OF MONTHLY GAS COSTS FOR DEFERRAL PURPOSES:

The Company shall maintain sub-accounts of Account 191. Monthly entries into these sub-accounts shall be made to reflect differences between: 1) the Actual Commodity Cost and the Embedded Commodity Cost, and 2) the Actual Non-Commodity Cost and the Embedded Non-Commodity Cost. The entries shall be calculated each month as follows:

1. A debit or credit entry shall be made equal to 100% of the difference between the Actual Non-Commodity Cost and the Embedded Non-Commodity Cost.

2. A debit or credit entry shall be made equal to 90% of the difference between the Actual Commodity Cost and the Embedded Commodity Cost.

3. Differentials shall be deemed to be positive if actual costs exceed embedded costs, and to be negative if actual costs fall below embedded costs.

4. The cost differential entries shall be debited to the Account 191 sub-accounts if positive, and credited to the Account 191 sub-accounts if negative.

5. Interest - The Company shall compute interest on the accumulating deferrals on a monthly basis at the Company's authorized rate of return.

(Continued on Next Page)

SCHEDULE 461 (continued)

PURCHASED GAS COST ADJUSTMENT PROVISION – OREGON

C. ADJUSTMENT DATES:

The Adjustment Date shall be November 1 of each year for changes in annual gas costs. The Company may file out-of-cycle PGA adjustments to be effective at times other than November 1 of each year, if the Company's annual gas costs change by 10 percent or more, or for such other reasons and on such terms as the Commission may approve.

D. TIME AND MANNER OF FILING:

Applications must be made 60 days in advance.

E. AMOUNT OF ADJUSTMENT:

The amount of adjustment to be made to customers' rates effective on each November 1 adjustment date shall consist of the sum of the changes in the Embedded Commodity Cost and Non-Commodity Cost.

F. GENERAL RULES AND REGULATIONS:

This schedule is subject to the General Rules and Regulations contained in this tariff and to those prescribed by regulatory authorities.

This schedule is an automatic adjustment clause (PGA) as described in ORS 757.210(1) and is subject to the customer notification requirements as described in OAR 860-022-0017.