

AVISTA CORPORATION
dba Avista Utilities

RULE NO. 22

LIQUEFIED OR COMPRESSED NATURAL GAS - OREGON

- A. Use of Liquefied (LNG) or Compressed Natural Gas (CNG) in a Motorvehicle or Motorboat.
1. Customers may, at their discretion, use LNG and CNG as a fuel in a motor vehicle or motorboat.
 2. LNG is produced by compressing pipeline natural gas and cooling it to 260 degrees Fahrenheit. LNG is a liquid when delivered to a motor vehicle or motorboat, but is vaporized into a gas when it is actually combusted in the engine.
 3. CNG is produced by compressing pipeline natural gas. CNG is a gas at the time it is delivered into the fuel supply tank of a motor vehicle or motorboat and when it is actually combusted in the engine.
- B. Internal Revenue Service Regulations
1. The Internal Revenue Service, through the Internal Revenue Code, has implemented regulations that affect persons that sell or buy LNG or CNG. These regulations impose a special motor fuels tax when liquefied or compressed natural gas is sold for use or used as a fuel in a motor vehicle or motorboat.
 2. Internal Revenue Code Section 48.4041 (a) (2): imposes a special motor fuels tax on LNG that is used in a motor vehicle or motorboat.
 3. Internal Revenue Code Section 48.4041 (a) (3): imposes a special motor fuels tax on CNG that is used in a motor vehicle or motorboat.

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April 1, 2008

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(continued)

C. Imposition of Tax

1. Tax is imposed on the delivery of LNG or CNG into the fuel supply tank of the propulsion engine of a motor vehicle or motorboat.

D. Tax Liability

1. If the Company sells LNG or CNG to a Customer, for use in a motor vehicle or motorboat, the company is liable for the fuel tax in accordance with the current Internal Revenue Code Section.
2. If the Company sells natural gas to the Customer and the Customer liquefies or compressed the natural gas for use in a motor vehicle or motorboat, the Customer is liable for the fuel tax in accordance with the current Internal Revenue Code.
3. The payment for the fuel taxes should be accomplished by the filing of IRS Form 720.

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