

Avista Corp.
1411 East Mission PO Box 3727
Spokane, Washington 99220-3727
Telephone 509-489-0500
Toll Free 800-727-9170



January 16, 2002

State of Idaho
Idaho Public Utilities Commission
Statehouse
Boise, Idaho 83720

Attention: Ms. Jean D. Jewell

Advice Number AVU-G-01-3

RE: Tariff IPUC No. 27, Natural Gas Service

Enclosed for filing with your Commission are an original and three copies of the Company's written reply comments with respect to their Application for approval of their proposed modified Natural Gas Benchmark Mechanism. In accordance with Order No. 28916, the Company's comments are in response to the Commission Staff's written comments filed on January 11, 2002.

If you have any questions regarding this filing please feel free to call Liz Andrews at 509-495-8601.

Sincerely:

A handwritten signature in cursive script that reads "Kelly O. Norwood".

Kelly O. Norwood, Vice President
Energy Resources

Enclosures

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA UTILITIES')
APPLICATION FOR APPROVAL OF) CASE NO. AVU-G-01-3
MODIFICATIONS TO ITS NATURAL GAS)
BENCHMARK MECHANISM) ORDER NO. 28916

On November 8, 2001, Avista Corporation dba Avista Utilities (Avista; Company; Utility) petitioned for Commission approval to continue its current Natural Gas Benchmark Incentive Mechanism (Benchmark or Benchmark Mechanism) with several proposed modifications.

On January 11, 2002 the Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Lisa Nordstrom, Deputy Attorney General, and in response to Order No. 28916, the Notice of Application and Notice of Modified Procedure issued on December 13, 2001, submitted their comments on the Company's filing.

The Company therefore, with respect to their Application in accordance with Order No. 28916, submits the following written reply comments.

Comment:

The Company is supportive of the concept of maintaining a committee that will continue to provide oversight and documentation supporting gas-hedging decisions. This committee would continue to assure sound decision-making and provide evidence for these discussions in maintaining an active gas procurement and gas-hedging program relating to the Benchmark Mechanism. However, Avista Corp. already has a Risk Management Committee (RMC), whose scope is different from the committee recommended by Staff.

The existing Avista Risk Management Committee is composed of senior executives and is generally charged with a broad risk oversight role that spans both the utility operations and non-utility operations. The RMC meets periodically, to discuss current matters and future trends that involve financial risk to the company and its customers.

The Company proposes that the concerns of staff be addressed by a Strategic Oversight Group (SOG) operating within the overall structure of the existing Risk Management Committee, whose purpose would be to continue to address gas supply strategies specific to the Benchmark Mechanism.

The Staff recommendations also included considerable detail about the type of information to be retained by the SOG. We would be happy to work with Staff on the types of documentation to be retained, and need not be prescribed by Commission Order. We believe that it should be information that is relevant to the decisions made by the SOG. The documented decisions resulting from an SOG meeting would be signed by the appropriate management representative that corresponds with the corporate authorization level.

In summary, the Company supports the formation of a sub-group called a "Strategic Oversight Group" to continue to focus on gas-hedging decisions relating to the Benchmark Mechanism.

Dated at Spokane, Washington, this 16th day of January, 2002

AVISTA UTILITIES

BY



Kelly O. Norwood
Vice President, Energy Resources

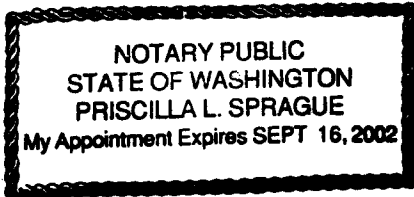
STATE OF WASHINGTON)
) ss.
County of Spokane)

Kelly O. Norwood, being first duly sworn, on oath deposes and says: that he is the Vice President of Energy Resources of Avista Utilities; that he has read the above and foregoing Application, knows the contents thereof, and believes the same to be true.

Kelly O. Norwood

Kelly O. Norwood
Vice President, Energy Resources

SUBSCRIBED and sworn to before me this 16th day of January, 2002



Priscilla L. Sprague

Notary Public in and for the
State of Washington, residing in
Spokane.

CERTIFICATE OF SERVICE

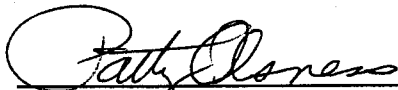
I HEREBY CERTIFY that I have served Avista Corporation's Reply to IPUC Staff's January 11, 2002 Letter related to the Company's Natural Gas Benchmark Mechanism, by mailing a copy thereof, postage prepaid to the following:

Ms. Jean Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P. O. Box 83720
Boise, Idaho 83720-0074

Bill Nicholson
Potlatch Corporation
244 California Street
Suite 610
San Francisco, California 94111

Conley Ward
Givens Pursley, LLP
277 North 6th Street, Suite 200
P. O. Box 2720
Boise, Idaho 83701

Dated at Spokane, Washington this 16th day of January 2002.



Patty Olsness
Rates Coordinator