

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

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2007 FEB 20 AM 8:56
IDAHO PUBLIC
UTILITIES COMMISSION



February 16, 2007

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

AVU-G-07-01

Attention: Ms. Jean Jewell, Secretary

Application Requesting Approval of Special Agreement

Enclosed for filing with the Commission is an original and seven copies of an Application requesting approval of a special Natural Gas Transportation Service Agreement between Avista and Potlatch Corporation.

If you have any questions regarding this filing, please call me at 509-495-4723.

Sincerely,

A handwritten signature in cursive script that reads "Brian J. Hirschhorn".

Brian J. Hirschhorn
Manager, Retail Pricing

Enc.

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IDAHO PUBLIC UTILITIES COMMISSION

KELLY O. NORWOOD
VICE PRESIDENT of
STATE AND FEDERAL REGULATION
AVISTA CORPORATION
P.O. BOX 3727
1411 EAST MISSION AVENUE
SPOKANE, WASHINGTON 99220-3727
TELEPHONE: (509) 495-4267
FACSIMILE: (509) 495-8851

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. AVU-G-07-01
OF AVISTA CORPORATION REQUESTING) APPLICATION
APPROVAL OF A NATURAL GAS)
TRANSPORTATION SERVICE AGREEMENT)
BETWEEN AVISTA AND)
POTLATCH FOREST PRODUCTS CORP.)

I. INTRODUCTION

Avista Corporation doing business as Avista Utilities (hereinafter Avista or Company), at 1411 East Mission Avenue, Spokane, Washington, respectfully requests that the Commission approve the proposed Natural Gas Transportation Service Agreement between the Company and Potlatch Forest Products Corporation (hereinafter Potlatch) for service to Potlatch's Lewiston Idaho Plant ("Plant"). A copy of the proposed agreement is provided herewith as "Attachment 1".

The Company requests that this filing be processed under the Commission's Modified Procedure rules.

1 Communications in reference to this Application should be addressed to:

2
3 Kelly O. Norwood
4 Vice President
5 State and Federal Regulation
6 Avista Corporation
7 1411 E. Mission Avenue, MSC-13
8 Spokane, Washington 99220
9 Phone: (509) 495-4267
10 Fax: (509) 495-8856

David J. Meyer
Vice President and Chief Counsel of
Regulatory and Governmental Affairs
Avista Corporation
1411 E. Mission Avenue, MSC-13
Spokane, Washington 99220
Phone: (509) 495-4316
Fax: (509) 495-8851

11
12
13 **II. BACKGROUND**

14 Avista has provided natural gas transportation service to Potlatch's Lewiston Idaho
15 Plant ("Plant") under an existing agreement dated April 19, 1993. Under the existing
16 agreement, Potlatch is billed \$0.0075 (0.75 cents) per therm for the first 120,000 therms used
17 each day, and \$0.001 (0.1 cents) per therm for all usage in excess of 120,000 therms per day
18 for distribution service. Based on their 2006 natural gas usage of approximately 38 million
19 therms, Avista billed and received \$264,000 in distribution charges from Potlatch for service
20 to the Plant. These rates for distribution service were negotiated coincident with the terms of
21 a firm pipeline transportation capacity release by Avista to Potlatch. Avista released 120,000
22 therms per day of firm (Northwest Pipeline) transportation capacity to Potlatch at full
23 pipeline rates from mid-1993 through November 2006.

24 Over the past ten years, Potlatch has increased the efficiency of its processes that
25 utilize natural gas and has reduced its annual natural gas consumption from 64 million therms
26 to 38 million therms. As a result, Potlatch has a reduced need for firm pipeline
27 transportation. Coincident with Potlatch's reduced need, Avista has seen considerable load
28 growth in the Moscow/Lewiston area and an increased need for firm pipeline capacity to

1 serve the area. As a result of both companies' needs, a separate capacity release agreement
2 has recently been negotiated whereby Avista has released 60,000 therms per day of (non-
3 recallable) pipeline capacity at full pipeline rates and 60,000 therms per day at 85% of full
4 pipeline rates that is recallable by Avista at any time to serve core gas requirements.
5 Coincident with the negotiating of the new pipeline capacity release agreement, Potlatch
6 expressed their desire to negotiate a new gas distribution agreement as well.

7 Potlatch has a unique ability to bypass Avista's distribution facilities and take service
8 directly from Northwest Pipeline. Avista's distribution facilities consist of approximately
9 fifty feet of six-inch steel pipe and a regulator station and odorizer which Potlatch could
10 replicate at a one-time capital cost of approximately \$75,000. These are the only Avista gas
11 distribution facilities between Northwest Pipeline's facilities and Potlatch's Plant. Potlatch
12 would not need a separate pipeline tap, as there is an existing tap that serves only Potlatch's
13 Plant and a separate tap that serves Avista's other customers in the Lewiston area. Potlatch's
14 proximity to Northwest Pipeline's facilities was the primary factor underlying the negotiation
15 of the proposed distribution service agreement.

16 17 **IV. PROPOSED AGREEMENT**

18 The initial term of the proposed agreement is approximately ten years, beginning on
19 the day following Commission approval and ending November 30, 2016. The agreement will
20 continue in effect from year-to-year thereafter unless canceled with twelve months prior
21 written notice by either party. The distribution charges under the proposed agreement were
22 negotiated between the two companies based on: 1) Potlatch's desire to pay Avista for

1 distribution service in the future that more reasonably reflected their alternative cost of direct-
2 connecting to Northwest Pipeline, and 2) Avista's desire to retain a reasonable level of
3 distribution charges/margin that would be reduced from the present level over time. As a
4 result of the negotiations, the two companies agreed on the following Avista distribution
5 service charge(s):

6 \$15,417 per month through Nov. 2007 (\$185,000 annually)

7 \$12,500 per month Dec. 2007 - Nov. 2008 (\$150,000 annually)

8 \$9,250 per month Dec. 2008 – Nov. 2009 (\$111,000 annually)

9 \$6,167 per month Dec. 2009 through 2016 (\$74,000 annually)

10 The monthly charges are fixed (non-volumetric) and are set forth in Exhibit A of the
11 agreement.

12 Based on Potlatch's usage of 38 million therms during 2006, their annual bill under
13 the present agreement was \$264,000 (average of \$22,000 per month). The proposed
14 distribution charge reflects a reduction in annual revenue/margin to Avista of approximately
15 \$185,000 phased-in over the next four years. This reduction represents a contribution to the
16 Company's fixed costs of providing natural gas service to its customers in North Idaho. For
17 comparative purposes, \$185,000 represents approximately 0.2% of the Company's current
18 Idaho natural gas revenues. Further, the margin reduction (\$185,000) resulting from the
19 proposed agreement equates to the margin provided by approximately 800 new residential
20 customers. While much of the margin provided by new customers is necessary to offset the
21 incremental cost of providing service, the current and projected rate of growth the company is

1 experiencing in North Idaho (approximately 2,200 customers per year) should offset a portion
2 of the lost revenue/margin received from Potlatch under the existing/prior agreement.

3
4
5 **III. REQUEST FOR APPROVAL**

6 Avista, therefore, respectfully requests approval of the proposed Natural Gas
7 Transportation Service Agreement between Avista and Potlatch Forest Products Corporation.

8 Dated at Spokane, Washington this 16th day of February 2007.

9
10 AVISTA CORPORATION

11
12 BY *Kelly O. Norwood*

13 Kelly O. Norwood
14 Vice President of
15 State and Federal Regulation
16

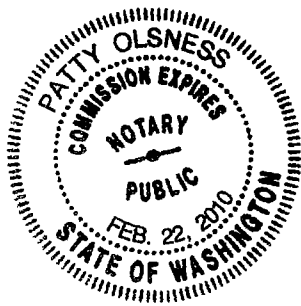
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2
3
4 **VERIFICATION**

5 STATE OF WASHINGTON)
6 County of Spokane :SS)
7
8
9

10 I, Brian Hirschorn, being first duly sworn on oath, deposes and says: That he is the
11 Manager, Retail Pricing, at phone number (509) 495-4723, for Avista Corporation and makes
12 this verification for and on its behalf of said corporation, being thereto duly authorized;
13 That he has read the foregoing filing, knows the contents thereof, and believes the
14 same to be true.
15

16 Brian Hirschorn

17
18 SIGNED AND SWORN to before me this 16th day of February, 2007, by Brian Hirschorn.
19



20 Patty Olsness
21 NOTARY PUBLIC in and for the State of
22 Washington, residing at Spokane.
23 Commission Expires: 2/22/10
24
25

ATTACHMENT 1

**PROPOSED AGREEMENT FOR NATURAL GAS TRANSPORTATION
SERVICE BETWEEN AVISTA CORP. & POTLATCH CORP.**

NATURAL GAS TRANSPORTATION SERVICE AGREEMENT

THIS AGREEMENT is entered into by and between Avista Corporation dba Avista Utilities (hereinafter referred to as "**Avista**"), and Potlatch Forest Products Corporation (hereinafter referred to as "**Customer**"); hereinafter sometimes referred to individually, as a "**Party**", and collectively, as the "**Parties**."

RECITALS

WHEREAS, Customer owns and operates manufacturing plants located near the City of Lewiston, in Nez Perce County, Idaho (hereinafter referred to, collectively, as the "**Plant**");

WHEREAS, Avista is currently providing natural gas transportation service to the Plant as authorized by the Idaho Public Utilities Commission; and

WHEREAS, Customer and Avista are Parties to a Natural Gas Service Agreement dated April 19, 1993, as amended by an Addendum dated December 1, 1999 (hereinafter referred to as the "**Current Agreement**"); and

WHEREAS, the Parties desire to terminate the Current Agreement and enter into a Capacity Release Agreement, designated Avista Contract No. M-13456 (hereinafter referred to as the "**Capacity Release Agreement**"), and this Agreement for natural gas transportation service to Customer's Plant, as set forth below.

NOW, THEREFORE, in consideration of the covenants and promises contained herein, the Parties agree as follows:

1. Definitions. Where used in this Agreement, the following terms shall have the following meanings:
 - 1.1. "Agreement" means this Natural Gas Transportation Service Agreement.
 - 1.2. "Customer-Owned Gas" means Natural Gas procured directly by Customer, or through an agent or broker acting on Customer's behalf.
 - 1.3. "Day" means a period of 24 consecutive hours coincident with Northwest Pipeline's day, which currently begins at 7:00 a.m. Pacific Prevailing Time on any given date.
 - 1.4. "Daily" means once each Day. If something is to be done "Daily," it should be completed by no later than the end of each Day.
 - 1.5. "Delivery Point" for Natural Gas transported or delivered to the Plant pursuant to this Agreement is the point at which Customer's Gas service pipe interconnects with the outlet side of Avista's Gas regulator station located on the Plant premises at the terminus of Northwest Pipeline's lateral line in the SW ¼ of Section 28, Township 36N, Range 5W, Nez Perce County, Idaho.
 - 1.6. "Gas" or "Natural Gas" means any mixture of hydrocarbons, or of hydrocarbons and combustible gases, in a gaseous state, consisting essentially of methane.
 - 1.7. "Month" means a period coincident with Northwest Pipeline's Month, which currently begins at 7:00 a.m. Pacific Prevailing Time on the first Day of a calendar month and ends at 7:00 a.m. Pacific Prevailing Time on the first Day of the next succeeding calendar month.
 - 1.8. "Northwest Pipeline" or "Pipeline" means Northwest Pipeline Corporation, which is engaged in the transportation of Natural Gas in interstate commerce.
 - 1.9. "Avista Receipt Point(s)" for Natural Gas transported pursuant to this Agreement are those points at which Avista's distribution system interconnects with the transmission facilities of Northwest Pipeline.

- 1.10 "Pipeline Delivery Point(s)" for Natural Gas transported pursuant to this Agreement are the Lewiston PFI, Lewiston or Lewiston West, or a combination thereof.
- 1.11 "Commission" means the Idaho Public Utilities Commission.
- 1.12. "FERC" means the Federal Energy Regulatory Commission.
2. Term of Agreement. This Agreement shall become effective upon approval of the Commission and shall remain in effect until November 30, 2016. Thereafter, the Agreement shall continue in effect from year-to-year unless canceled by either Party upon written notice to the other Party not less than twelve (12) months prior to any subsequent anniversary date. As used herein, the anniversary date of this Agreement shall be December 1st of each year.
3. Delivery and Transportation of Natural Gas.
 - 3.1 Delivery. Subject to the delivery of Customer-Owned Gas to Avista's Receipt Point(s) and subject to the orders, rules and regulations of governmental authorities, agencies and courts having jurisdiction over (i) Customer's acquisition of Customer-Owned Gas, (ii) the Pipeline, and/or (iii) Avista's delivery of Gas hereunder, Avista, as provided herein, shall cause such Gas to be delivered to Customer at the Delivery Point. All volumes of Customer-Owned Gas nominated and delivered to Avista's Receipt Point(s) shall be deemed firm service Gas and shall be delivered by Avista to the Delivery Point, except as set forth under Sections 4 and 6 below.
 - 3.2 Exclusive Natural Gas Transportation Service. All volumes of Natural Gas delivered to the Plant during the term of this Agreement shall be transported through Avista's regulator station.
4. Volumetric Limitations and Pressure.
 - 4.1 Volumetric Limitations. Because of the physical limitations of the Northwest Pipeline/Avista gate station and Avista's regulator station currently used to serve Customer's Plant, the volumes of Customer-Owned Gas transported pursuant to this Agreement shall not exceed such limitations of 12,000 therms per hour or 288,000 therms per day.
 - 4.2 Pressure. Avista shall deliver Gas to the Plant at a nominal pressure of fifty pounds per square inch gauge (50 p.s.i.g.).
 - 4.3 Exceeding Demand Limit.
 - 4.3.1 Subject to the capabilities of Avista's facilities and upon written approval of Avista, the maximum volume described in Section 4.1 above may be increased, provided that Customer shall provide Avista with one hundred eighty (180) days' advance written notice to allow Avista adequate time to make any necessary modifications to its facilities required to provide service hereunder. In the event Customer fails to provide Avista with such notice and Avista's facilities or equipment are damaged as a result of Customer's increased volumes, the expenses associated with the repair of any such damaged facilities or equipment shall be the sole responsibility of Customer, and Customer shall reimburse Avista for all repair costs.
 - 4.3.2 In the event Customer exceeds the maximum volume described Section 4.1 above, Avista may, in its sole judgment, interrupt Customer's service, and Avista shall not be liable for damages or losses to Customer occasioned by the interruption of volumes above such maximum volume.
5. Nominations:
 - 5.1. Daily Nominations. Customer or its agent shall report its estimated Gas supply requirements for the Plant to Avista's Gas scheduler at least twenty-four (24) hours prior to the time nominations are required by Northwest Pipeline for each Day, unless Customer and Avista agree, in writing, to other procedures. Such estimated Gas supply requirement shall be considered by Avista to represent Customer's nomination. Customer may request Avista's Gas scheduler to make any

changes to its nomination prior to the beginning of each Day. Such request will be accepted to the extent that the change does not jeopardize Avista's operations and a corresponding change is permitted by Northwest Pipeline. To the extent that the foregoing requirements prove inconsistent with the nominating procedures of Northwest Pipeline, the latter shall govern and Customer shall conform its nominating practices, accordingly.

- 5.2. Estimated Gas Requirements. Upon request by Avista, Customer shall, from time to time, submit non-binding estimates of its daily, monthly, and annual volumes of Gas that Customer may require pursuant to this Agreement, including peak day requirements, together with such other operating data as Avista may require in order to schedule its operation and determine its system loads and requirements.
6. Transportation Interruption. Any volumes of Customer-Owned Gas unable to be delivered due to operational constraints on Avista shall be held as an imbalance and shall be delivered to Customer as soon as operationally practicable. Avista shall not be liable for damages occasioned by any entitlement or interruption of service supplied under this Agreement.
7. Balancing by Customer. Customer or its agent shall exercise its best efforts to schedule Gas which it causes to be delivered to Avista at Avista's Receipt Points in such a manner that Customer's usage of Gas, as metered at the Delivery Point, equals the amount of Gas so delivered to Avista by Northwest Pipeline during each Day and for each Monthly billing cycle. Customer shall be responsible for imbalance charges or penalties as set forth in Avista's tariff.
8. Rates and Charges.
 - 8.1 Avista Transportation Charges. Customer shall pay Avista for all Gas delivered to Customer's Plant in accordance with the Monthly Delivery Charges specified on the "Transportation Charges Schedule", attached hereto and incorporated herein as "Exhibit A".
 - 8.2 Late Charges. Payment shall be due within fifteen (15) days of the bill mailing date (the "Due Date"). If Customer fails to pay Avista the entire undisputed amount of any bill within thirty (30) days following the Due Date, Avista shall have the right to charge Customer a late charge on the unpaid balance, from the Due Date until paid in full, at a rate of 1 percent per month. In the event Customer has a good-faith dispute regarding a billing by Avista, Customer shall not be assessed interest on the disputed portion of such bill until resolution of the matter, unless otherwise instructed by the Commission.
9. Transportation and Billing by Others. Except as otherwise set forth in this Agreement, Avista shall not be responsible for Customer's billing arrangements for the purchase of Customer-Owned Gas, or for the transportation thereof by others, including Northwest Pipeline. Customer shall be responsible for sales, use and other taxes associated with the acquisition and/or transportation, by others, of Customer-Owned Gas.
10. Customer-Owned Gas Quality. The quality of Customer-Owned Gas shall meet the requirements, as they may be amended, set forth in Northwest Pipeline's FERC Gas tariff.
11. Incorporated Terms. Except as provided in this Agreement, all terms and conditions set forth in Avista's tariffs for Gas service, or their successor, as filed with and approved by the Commission or that agency's successor, are incorporated herein and made a part of this Agreement.
12. Easements and Access to Customer's Property.
 - 12.1 Customer hereby authorizes Avista or its agent to access Avista's facilities at Customer's Plant, if necessary, and to do all work reasonably necessary on the lands of Customer to accomplish the operation and maintenance of Avista's facilities required to provide Gas service to the Delivery Point. Customer shall continue to grant, without cost to Avista, good and sufficient recordable easements in a form satisfactory to Avista, that provides for Avista's facilities to be located over, on, across and/or under said lands of Customer covering rights-of-way for the


installation, operation, inspection, replacement, and maintenance of Avista's facilities required to render the services set forth in this Agreement.

- 12.2 Customer shall ensure that there is minimum clearance of not less than ten (10) feet (or greater if required by any applicable rules or regulations) around all Avista facilities on the Plant property to allow access for Avista's equipment, to enable Avista to perform any necessary maintenance and repair, and to avoid any potential damage to such equipment
14. Force Majeure. As used in this Agreement, "Force Majeure" means the inability of either Party hereto to perform its obligations as set forth herein as a result of unforeseeable causes beyond the reasonable control of and without the fault or negligence of the Party claiming a Force Majeure excuse for non-performance ("Force Majeure Event" or "Event"). Force Majeure Events may include, but are not limited to, the following: acts of God, strikes, acts of war, riots, landslides, earthquakes, fires, floods, unforeseeable or unusual weather conditions, collisions, washouts, explosions, breakage or failure of machinery or generating equipment or lines, or any binding order, rule or regulation of any court or governmental authority, or any other occurrence beyond the reasonable control of either Party, whether similar or dissimilar to any of the foregoing examples, that shall prevent or frustrate or make impossible the performance of the Party claiming Force Majeure. The occurrence of a Force Majeure Event effecting Avista's ability to deliver natural gas to the Point of Delivery shall not grant Customer the right to terminate this Agreement and the duties and obligations hereunder. A Force Majeure Event shall not relieve Customer from any minimum charge obligations specified in Avista's applicable rate schedule, provided however, such charges shall be pro-rated based on the actual number of days of service provided to Customer, if a Force Majeure Event affecting Avista results in Avista's inability to deliver natural gas hereunder for a period in excess of forty-eight consecutive (48) hours. A Party claiming a Force Majeure Event shall be excused by the non-affected Party from its course of performance under the terms and conditions of this Agreement, solely for the length and duration such Event lasts or exists, provided that notice of such Event is given to the other Party within three (3) business days after the Event occurs. At such time and circumstance that the Force Majeure Event no longer exists or affects the Party claiming such Event, the Party claiming the Force Majeure Event shall resume its duties and obligations under this Agreement as soon as reasonably practicable. In the event Avista is rendered wholly or partially unable to perform its obligations under this Agreement due to a Force Majeure Event, Customer may arrange for alternate delivery of gas supply during the period of such Event, and Avista shall cooperate in obtaining an alternate fuel supply for Customer; provided, however, that Avista shall not be liable for additional costs incurred to obtain such alternate fuel supply.
15. Indemnification and Hold Harmless Protection.
- 15.1 Customer Indemnification. Customer shall indemnify and save harmless Avista from any liability, loss, or expense, including the expense of defending against the same, arising from or growing out of injury to persons, including death, or damage to property, which may occur on the Gas system of the Customer on its side of the Delivery Point unless such loss is due to the negligence of Avista. Where such claim or loss is caused by the concurrent negligence of Customer, its agents or employees, and Avista, its agents or employees, Customer hereby agrees to indemnify, defend and save Avista harmless from all such claims or losses to the extent that such claim or loss was caused by the negligence of Customer, its agents or employees.
- 15.2 Avista Indemnification. Avista shall indemnify and save harmless Customer from any liability, loss, or expense, including the expense of defending against the same, arising from or growing out of injury to persons, including death, or damage to property, which may occur on the Gas system of Avista on its side of the Delivery Point unless such loss is due to the negligence of Customer. Where such claim or loss is caused by the concurrent negligence of Avista, its agents or employees, and Customer, its agents or employees, Avista hereby agrees to indemnify, defend and save Customer harmless from all such claims or losses to the extent that such claim or loss was caused by the negligence of Avista, its agents or employees.

- 15.3 Avista shall not be liable for any special, indirect, incidental, punitive, or consequential damages arising from the operation, replacement, maintenance or repair of Avista-owned or Customer-owned facilities, including, without limitation, Customer's loss of actual or anticipated profits or revenue, loss by reason of shutdown, non-operation, or increased expense of its facilities or operations, cost of capital, or claims of third parties
16. Other Agreements. This Agreement, together with the Capacity Release Agreement, supersede and cancel the Current Agreement, as of the effective date of this Agreement. Except as otherwise specifically referenced, this Agreement and the Capacity Release Agreement contain the full and final expression of all terms intended by the Parties for natural gas transportation to the Plant.
17. Assignment. Customer shall not (by contract, operation of law or otherwise) assign this Agreement, or any right or interest in this Agreement, without providing Avista with at least thirty (30) days prior written notice of such assignment. No such assignment, with or without prior written notice to Avista, shall relieve Customer from its responsibilities under this Agreement, and all obligations and liabilities incurred hereunder shall be preserved until satisfied. Avista may assign this Agreement, without consent, to any affiliated company that controls, is controlled by, or is under common control with Avista, or to a successor in interest which acquires all or substantially all of the property and assets of Avista.
18. Amendment and Waiver. This Agreement contains all of the terms and conditions bearing upon the subject matter and shall not be changed or varied except by written agreement executed by the Parties through duly authorized representatives. If, at any time, the terms of this Agreement are not strictly adhered to or enforced, they shall not thereby be deemed waived or modified, but shall at all subsequent times and dates be deemed in full force and effect.
19. Notices. Unless otherwise specified, any notice required under this Agreement shall be given in writing, and shall be effective from the date received by the Party to which it is provided.
- 19.1 Notices to Avista shall be mailed or delivered to the attention of:
- Avista Utilities
PO Box 3727, MSC-15
1411 East Mission Avenue
Spokane, Washington 99220-3727
Attn: Director, Energy Solutions
Contract No. M-13466
- 19.2 Notices to Customer shall be mailed or delivered to the attention of:
- Potlatch Forest Products Corporation
PO Box 1016
805 Mill Road
Lewiston, ID 83501
Attn: Manager, Customer Contact Marketing
- 19.3 A Party may change the place or address for delivery of notices to it by giving notice to the other Party as thus described.
20. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of Idaho, without giving effect to its principles of conflicts of law. Any litigation relating to this Agreement not within the jurisdiction of the Commission shall be brought in the Superior Court of Nez Perce County, Idaho.
21. Headings. The section headings in this Agreement are for convenience only and shall not be considered part of or used in the interpretation of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by the respective authorized representatives, duly authorized as of the date(s) written below.

Avista Corporation
dba Avista Utilities

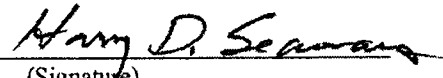
By: 
(Signature)

Name: Patrick Lynch
(Print or Type)

Title: Director of Energy Solutions
(Print or Type)

Date: 12/27/06
(Print or Type)

Potlatch Forest Products Corporation

By: 
(Signature)

Name: Harry Seamans
(Print or Type)

Title: VP, Pulp and Paperboard Division
(Print or Type)

Date: 12/20/06
(Print or Type)

"Exhibit A"

Natural Gas Transportation Service Agreement No. M-13466

Flat Rate Gas Transportation Charges Schedule

Contract Dates	Monthly Delivery Charges*	Total Annual Delivery Charges*	Approximate Delivery Charge per therm
Dec 2006 through Nov 2007	\$ 15,416.67	\$ 185,000.00	\$ 0.005
Dec 2007 through Nov 2008	\$ 12,500.00	\$ 150,000.00	\$ 0.004
Dec 2008 through Nov 2009	\$ 9,250.00	\$ 111,000.00	\$ 0.003
Dec 2009 through Nov 2010	\$ 6,166.67	\$ 74,000.00	\$ 0.002
Dec 2010 through Nov 2011	\$ 6,166.67	\$ 74,000.00	\$ 0.002
Dec 2011 through Nov 2012	\$ 6,166.67	\$ 74,000.00	\$ 0.002
Dec 2012 through Nov 2013	\$ 6,166.67	\$ 74,000.00	\$ 0.002
Dec 2013 through Nov 2014	\$ 6,166.67	\$ 74,000.00	\$ 0.002
Dec 2014 through Nov 2015	\$ 6,166.67	\$ 74,000.00	\$ 0.002
Dec 2015 through Nov 2016	\$ 6,166.67	\$ 74,000.00	\$ 0.002

* Calculations of monthly and annual charges are based on actual 12 months of usage (October 1, 2005, through September 30, 2006) of 37,270,250 therms (rounded down to 37,000,000) then multiplied times the "per therm" delivery charge. Annual charges divided into 12 equal monthly payments.