

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF AVISTA CORPORATION REQUESTING) CASE NO. AVU-G-07-01
APPROVAL OF A NATURAL GAS)
TRANSPORTATION SERVICE)
AGREEMENT) ORDER NO. 30307
)

On February 20, 2007, Avista Corporation (“Avista” or “Company”) filed an Application with the Commission requesting approval of a Natural Gas Transportation Service Agreement (the “Agreement”) between the Company and Potlatch Forest Products Corporation (“Potlatch”).

On March 13, 2007, the Commission issued a Notice of Application and Modified Procedure and solicited comments from interested parties. Order No. 30271. The only comments submitted were filed by Staff.

THE APPLICATION

According to the Application, Avista has been providing natural gas transportation service to Potlatch’s Lewiston, Idaho plant under an existing agreement since 1993. During that time, Potlatch has increased its efficiency and reduced its annual natural gas consumption from 64 million therms to 38 million therms. In addition, Avista has seen considerable load growth in the Moscow/Lewiston area and an increased need for pipeline capacity. Avista and Potlatch negotiated a capacity release agreement, and Potlatch expressed its desire to negotiate a new gas distribution agreement as well.

The initial term of the Agreement is ten years, beginning the day following Commission approval and ending November 30, 2016. The parties have agreed on charges based upon Potlatch’s desire to pay Avista for distribution service in the future that more reasonably reflect the alternative cost of connecting directly to a different pipeline, and Avista’s desire to retain a reasonable level of distribution charges. Based on Potlatch’s usage in 2006, its annual bill under the existing agreement is \$264,000. Under the Agreement, Potlatch would pay: \$185,000 through November 2007; \$150,000 from December 2007 through November 2008; \$111,000 from December 2008 through November 2009; and \$74,000 per annum from December 2009 through the end of the Agreement. The Company believes that the current and

projected rate of growth it is experiencing in north Idaho should offset a portion of the lost revenue/margin received from Potlatch under the existing agreement.

STAFF COMMENTS

Staff reviewed the contract to determine any consequences beyond the services provided to Potlatch. The Company's costs to serve as well as the existing contract were also reviewed. After evaluating the information regarding the fixed and variable costs involved, as well as other technical issues, Staff believes this contract is in the best interest of both the Company and its customers. Staff recommended that the Commission approve the contract as proposed.

FINDINGS

We find that we have jurisdiction over this matter pursuant to *Idaho Code* §§ 61-307, 61-622 and 61-623. We further find that we have jurisdiction over the Company pursuant to *Idaho Code* §§ 61-117 and 61-129.


In addition, we find that the provisions of the Agreement are reasonable. Considering the surrounding circumstances, the Company has negotiated an acceptable net contribution to fixed costs. We are satisfied that the Company's applicable liabilities to the Northwest Pipeline ("NWPL") are assumed by Potlatch under the capacity release agreement that is ancillary to the Agreement, which will mitigate any fees owed to the NWPL for the capacity, as well as remarketing if the capacity is not used. We find that the Application should be approved.

ORDER

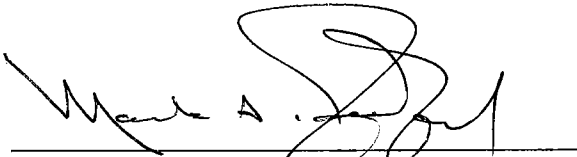
IT IS HEREBY ORDERED that the Application of Avista Corporation, Case No. AVU-G-07-01 is approved.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

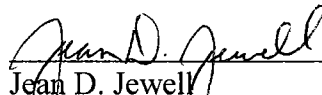
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 24th
day of April 2007.


PAUL KJEILANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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